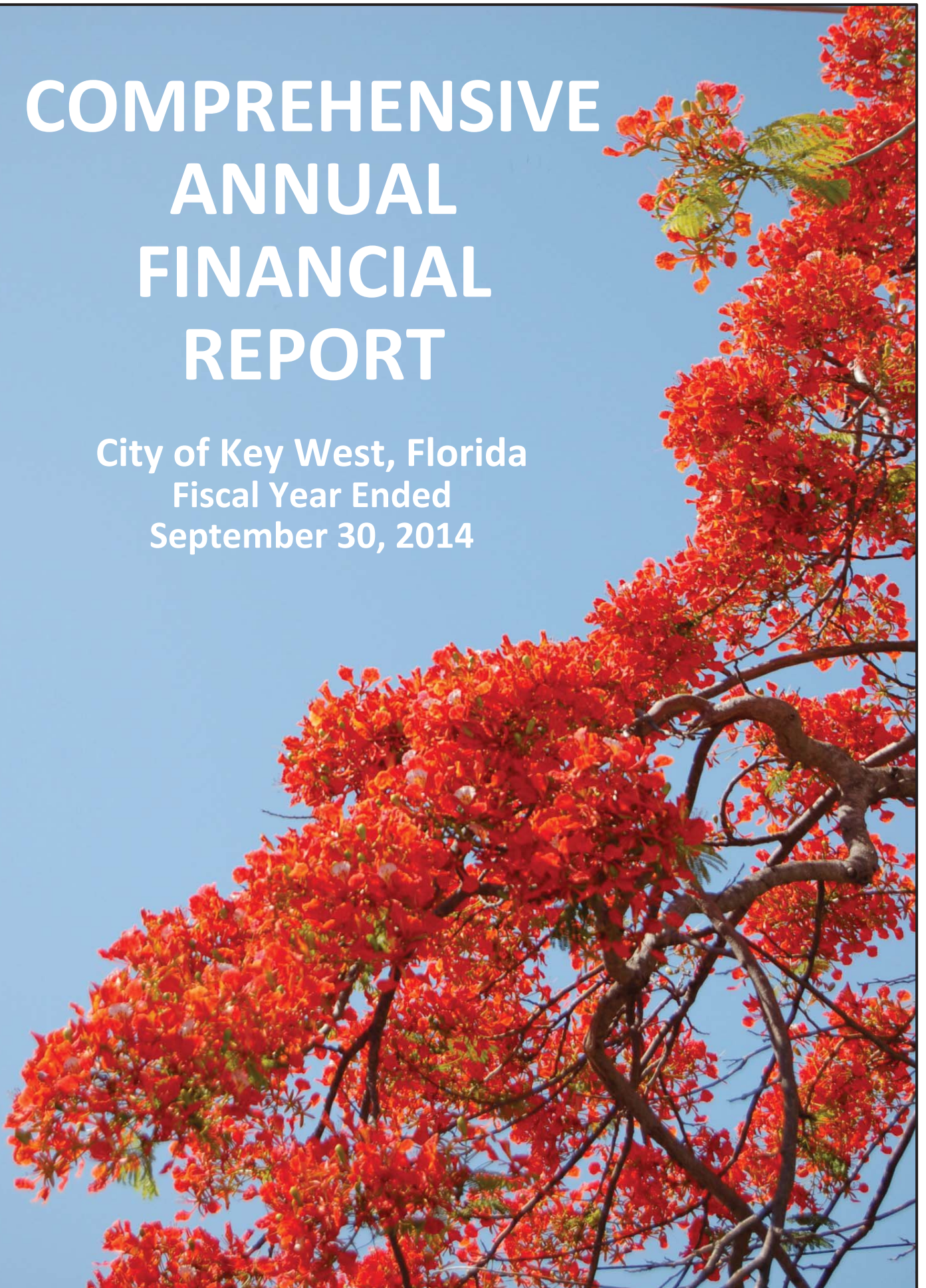


COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Key West, Florida
Fiscal Year Ended
September 30, 2014



*Cover: Courtesy of Alyson Crean –
City of Key West Public Information Officer*

THE CITY OF KEY WEST, FLORIDA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

September 30, 2014

Prepared by:

Department of Finance

CITY OF KEY WEST, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

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INTRODUCTORY SECTION



THE CITY OF KEY WEST, FLORIDA

Post Office Box 1409

Key West, FL 33041-1409

www.cityofkeywest-fl.gov

March 31, 2015

Honorable Mayor,
Members of the City Commission, and
Citizens of Key West

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the City of Key West, Florida, for the fiscal year ended September 30, 2014, is submitted herewith pursuant to the City Charter, Florida Statute Chapter 11.45(3) and (4), and Chapter 10.550 of the Rules of the Auditor General of the State of Florida. The comprehensive annual financial report was compiled by Finance Department staff with the close cooperation of the independent auditors. It represents the official report of the City's financial operations and condition to the citizens, City Commission, management personnel of the City, rating agencies, and other interested parties.

This report consists of management's representations concerning the financial operation and condition of the City. Responsibility for both the reliability of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from any material misstatement. To the best of our knowledge and belief, this financial report is complete and reliable, in all material respects, and is reported in a manner that presents fairly the financial position and results of operations of the various funds of the City of Key West.

State statutes require an annual audit by independent certified public accountants. The City of Key West's financial statements have been audited by the independent certified public accounting firm of Keefe McCullough and they have issued an unmodified opinion on the financial statements for the fiscal year ended September 30, 2014.

Generally accepted accounting principles (GAAP) require that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Key West's MD&A can be found immediately following the report of the independent auditors.

Financial Reporting Entity

This report includes all funds of the City. The City of Key West provides a full range of services outlined in the Florida Statutes or City Charter. These services include police and fire protection, the construction and maintenance of roads and infrastructure, recreational activities, planning, building and zoning. In addition to its general government activities, the City provides sewer, sanitation, stormwater, marina, parking and mass transit services through enterprise funds.

The City has ultimate responsibility for the Police Officers and Firefighters Retirement Plan and the General Employees Retirement Plan. The Police Officers and Firefighters and General Employees Pension Plan activities are included in the financial statements as fiduciary funds.

The City does not have financial responsibility for The Housing Authority of the City of Key West, Florida; however, the City does appoint board members and provides approximately \$ 468,000 annually in free sewer, sanitation and stormwater services, which constitutes a financial benefit/burden relationship. Given the overall materiality of the financial benefit/burden, the City has included the Housing Authority as a discretely presented component unit herein.

Keys Energy Services has not met the established criteria for inclusion in the reporting entity and is excluded from this report. Financial reports are available directly from that agency.

Overall Financial Condition

The City of Key West is a two by four mile island located at the southernmost tip of Florida and the continental United States. Tourism is the primary industry throughout all of the Keys which comprise most of inhabited Monroe County. As evidenced below, the tourism industry continues to demonstrate a solid recovery from the “troubled” years of 2007 through 2009.

The hotel bed tax collected in Key West increased by 9 percent over that of the previous fiscal year, ending up at \$ 17,356,000. Monroe County sales tax data reflects retail taxable sales in the amount of \$ 2,633,700,000 for fiscal year 2014 as compared to \$ 2,434,400,000 from the previous year, again evidence of an improving local economy.

Tourists arriving at Key West International Airport for the current fiscal year numbered 384,100, compared to 380,300 for the prior period, up 1 percent. Daily cruise ship passengers have a significant impact on the downtown business sector. The number of passengers has increased from approximately 734,300 passengers in 2013 to approximately 800,700 in 2014. This is an 9 percent increase from the previous period.

Most community leaders agree that tourism is the current and future foundation of the local economy. City user fees, sales tax revenue, gas tax proceeds, parking revenues and cruise ship disembarkation fees continue to provide a significant portion of City government’s revenue base. If Key West remains a desirable tourist destination, the revenue base will remain strong.

Past declines in tourist volumes and the effects of an overall sluggish economy appear to be over in the City of Key West. Most major tourism based revenues started to rebound in fiscal year 2010 and have continued over the last four years. As previously noted, tourism statistics point to continued growth and an improving economy.

The City began its fiscal year 2014 budget process in the middle of the 2013 fiscal year, a time when most of its major revenue sources were showing signs of improvement and were exceeding expectations. The improvement and stability in the local economy set the stage for the 2014 budget.

The following factors affected the development of the fiscal year 2013-14 budget:

- Although there was an increase in property values for the first time in five years, there was little to no growth in new construction.
- The half cent sales tax revenue during fiscal year 2013 was approximately \$300,000 above projections. This was an indication that the City could be confident in raising the fiscal year 2014 budget by an additional \$ 400,000.
- There was a change to the building permit application fee structure. A fee change for the historical review process will result in anticipated revenue increase.
- Charges for services continues to be a strong revenue source for the General Fund; mainly driven by parking and cruise ship fees. With the stabilization of the economy those figures were anticipated to stay strong.
- City Commission voted to use 2 reserve days to balance the budget

The City Commission approved the ad-valorem rate at “roll back.” The General Fund budget for fiscal year 2014 was 2.79 percent above the original adopted budget for 2013.

As you will see in the financial sections, the operating results for 2014 were positive. The General Fund change in the fund balance was approximately \$ 1,973,000, a positive indication of a successful fiscal year.

First quarter performance for fiscal year 2015 is tracking well within established budgetary numbers. Tourism-dependent revenues appear to be stable. The City is hopeful this trend will continue throughout the 2015 fiscal year.

Financial Planning and Budgeting Controls

The City maintains strict budgetary controls. The objective of these budgetary controls is to ensure compliance with Florida Statute Section 166.241(3) provisions embodied in the annual appropriated budget approved by the City Commission. Annual appropriated budgets are adopted for all governmental and proprietary funds except as noted below. These budgets are adopted on generally accepted accounting principles basis, as applicable. This program is readopted annually based on changes in priority and funding. The City is not legally required to, and does not adopt budgets for the Community Development Office Fund and the Pension Funds.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established under City of Key West Ordinance 1.261 at the major category level; i.e., Personal Services, Operating, Capital, Debt Service, Aid to Private Organizations, and Transfers. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts expire at year-end but are reappropriated from carryforward amounts only if the amounts encumbered are material and the current year's budget is insufficient to absorb these commitments.

Relevant Financial Policies

The City of Key West budgetary and financial policies provide the basic framework for the overall fiscal management of the City. The main policies consist of the revenue, cash management and investments, debt, and fund balance policies. These policies are used in the development of current activities and planning for future programs.

Revenue Policy

The City will attempt to maintain a diversified and stable revenue system to avoid reliance on any one revenue source and will attempt to minimize the dependence on property taxes. Charges for services are used to recover partial or full cost of providing services that benefit individual users. Additionally, it is the City's policy that new ongoing operating costs are funded with permanent, ongoing revenue sources. One time operating costs are tied to one-time revenue sources to ensure fund balance integrity.

Cash Management and Investments Policy

The City follows its adopted investment policy when handling public funds. The intent of this policy is to 1) ensure the preservation of principal, 2) maintain sufficient cash flow to enable the City to meet its obligations, and 3) maximize the return on assets with an acceptably low exposure to risk. The investment policy meets the requirements of Florida Statutes, section 218.415.

Cash temporarily idle during the year was primarily invested in Federal agency issues, non-negotiable certificate of deposits, commercial paper, and the City's bank deposit account. The maturities of the investments range from one to five years, with an average maturity of under 2 years.

Debt Policy

The City seeks to maintain the highest bond rating to minimize borrowing costs. Debt is issued when necessary to finance capital projects, but is never used for current operations. The City reviews and evaluates its existing obligations and future borrowing needs regularly.

Fund Balances

In 2011, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for its governmental activities. GASB Statement No. 54 establishes various classifications of fund balance based on a hierarchy which details constraints placed on the uses of resources by creditors, grantors, contributors, laws or regulations of other governments and those internally imposed. Fund balances classified as restricted are those with externally enforceable limitations in use. Fund balances classified as committed can only be used for specific purposes determined by formal action of the City Commission through an ordinance. Commitments can only be changed or lifted only by the City Commission through an ordinance. Assigned fund balances are amounts that the City intends to use for a specific purpose but are neither restricted nor committed. The intent to utilize these funds may be delegated to the City Manager, at the City Commission's discretion, through resolution. Unassigned fund balance can be viewed as the net resources available at the end of the year.

Major Initiatives

One of the significant initiatives funded in fiscal year 2015 was to bring ambulance services in-house. Ambulance service has always been provided to the citizens of Key West by a private company. Starting April 1, 2015, the City's fire department will begin providing this service. In order to provide this service the City budgeted for 15 additional firefighter/emergency medical service personnel and an emergency medical service division chief. The City also budgeted for the purchase of 5 new ambulances, along with the necessary equipment. The City went out to bid to hire a medical supervisor and also a billing company.

During fiscal year 2015, the City will begin a computer software conversion. The City to date has budgeted \$ 870,000 for the initial conversion. The finance department will be the first to convert, with a go-live date in August 2015.

Certificate of Achievement Award

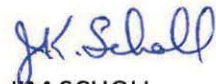
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Key West for its comprehensive annual financial report for the fiscal year ended September 30, 2013. This was the twenty-eighth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and are submitting it to the GFOA to determine its eligibility for certification.

Acknowledgments

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our sincere appreciation to all members of the department who assisted in and contributed to its preparation. We would also like to thank the members of the City Commission for their interest and support in planning and conducting the financial operations of the City in a responsible, progressive manner.

Respectfully submitted,



JIM SCHOLL
City Manager



NANCY S. KIELMAN
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Key West
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013



Executive Director/CEO

CITY OF KEY WEST, FLORIDA

List of Principal Officials

Elected Officials

Mayor	Craig Cates
Commissioner	Jimmy Weekley
Commissioner	Mark Rossi
Commissioner	Billy Wardlow
Commissioner	Tony Yaniz
Commissioner	Teri Johnston
Commissioner	Clayton Lopez

Appointed Officials

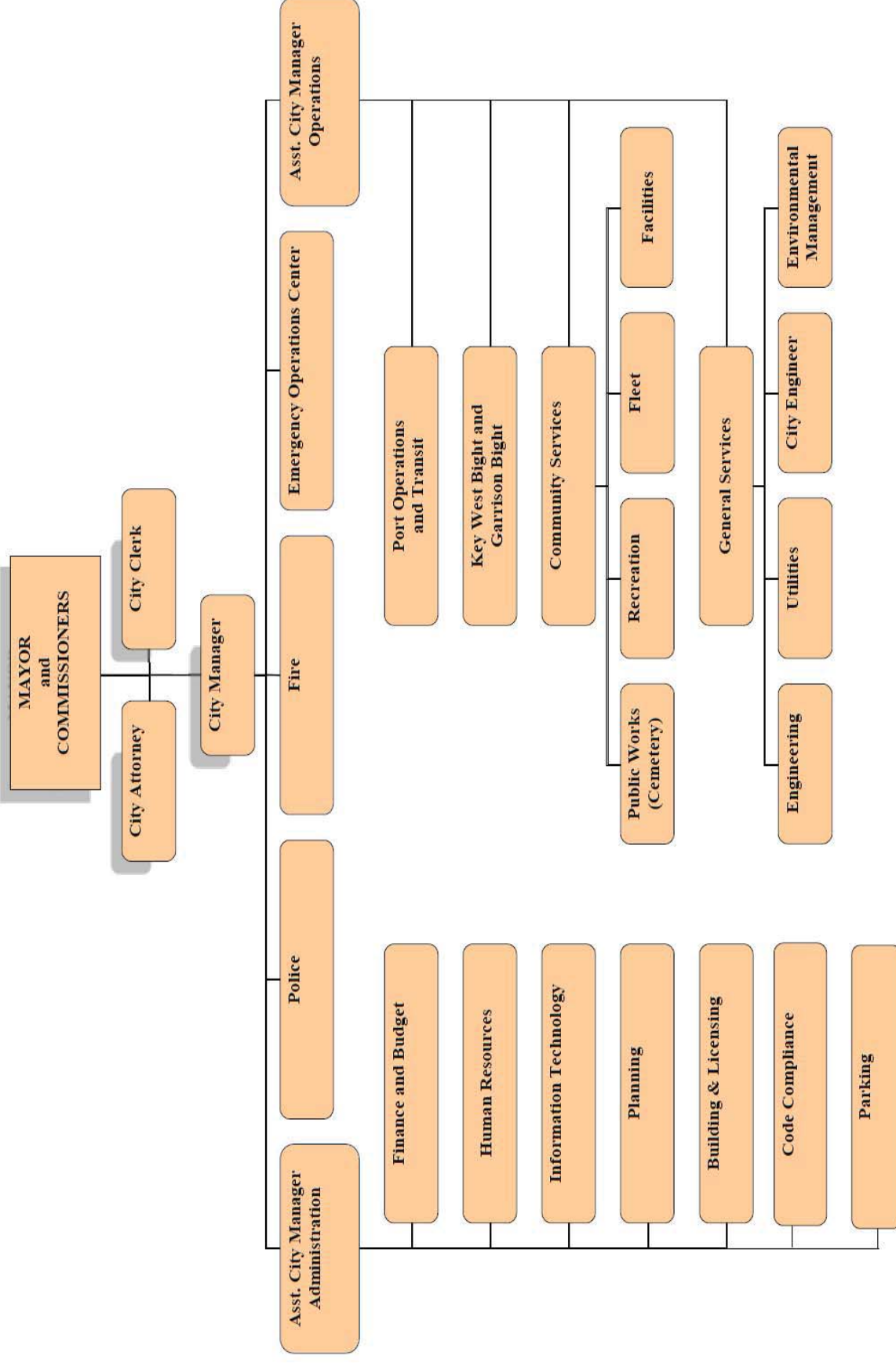
City Manager	Jim Scholl
City Clerk	Cheri Smith
City Attorney	Shawn Smith

Department Directors

Assistant City Manager – Administration	Sarah Hannah-Spurlock
Assistant City Manager – Community Operations	Greg Veliz
Building and Licensing	Ronald Wampler
Police Chief	Donald J. Lee, Jr.
Community Services	Rod Delostrinos
General Services	James Bouquet
Finance and Budget	Nancy S. Kielman
Fire Chief	David Fraga
Human Resources	Samantha Farist
Management Information Systems	Patti McLauchlin
Planning	Donald Craig
Port and Marina Operations	Doug Bradshaw
Transportation	Norman Whitaker
Code Compliance	Jim Young
Parking	John Wilkins

CITY OF KEY WEST, FLORIDA

FISCAL YEAR 2013-2014



CITY OF KEY WEST, FLORIDA

VISION

A tropical island with unique community character in harmony with the diversity of its people and with its environment.

MISSION

To preserve and protect our island.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor,
City Commissioners and City Manager
City of Key West, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Key West, Florida (the "City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pension Trust Fund for Police Officers and Firefighters, which represent 63%, 63%, and 68%, respectively, of the assets, net position, and total additions of the Fiduciary Funds. Also, we did not audit the financial statements of The Housing Authority of the City of Key West, Florida, which is the sole discretely presented component unit. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Trust Fund for Police Officers and Firefighters and The Housing Authority of the City of Key West, Florida, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Pension Trust Fund for Police Officers and Firefighters were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Key West, Florida, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Gas Tax Fund – a major special revenue fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules related to pensions and other post-employment benefits on pages 4 through 14 and 83 through 89, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors, have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Key West, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the combining and individual nonmajor fund financial statements and schedules and the budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

City of Key West, Florida

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reports Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015, on our consideration of the City of Key West, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Key West, Florida's internal control over financial reporting and compliance.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
March 31, 2015

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CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

On behalf of the City of Key West, Florida, management presents, to the readers of the City's financial statements, this narrative overview and analysis of financial activities for the fiscal year ending September 30, 2014. We are offering this discussion and analysis in order to provide the reader with a better understanding of the City's overall financial position. This should be considered in conjunction with the additional information in the transmittal letter on page i and the City's financial statements which begin on page 15.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of fiscal year 2014 by \$ 320,710,752 (net position), which is an increase of \$ 11,267,746 compared to the prior year. Of this amount, \$ 63,478,687 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$ 58,740,769, a decrease of \$ 1,953,464 from the prior year. Approximately 21% of this amount (\$12,466,059) is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of committed, assigned and unassigned components of fund balance) for the general fund was \$ 14,708,945, or approximately 36% of total general fund expenditures.
- The City's total outstanding long term debt decreased by \$ 3,430,807 during the current fiscal year. The decrease is attributed to regular payments on outstanding debt.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 15. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the activities during fiscal year 2013-14?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

These two statements report the City's net position and changes in them. The statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. However, it is also important to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

Based upon a review of these statements and in the following discussion, you will see that the City's overall financial position has improved over the prior fiscal year.

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

- **Governmental activities:** Most of the City's basic services are reported here, including the police, fire, public works and parks departments, as well as, general administration. Property and other intergovernmental taxes, charges for services, and state and federal grants finance most of these activities.
- **Business-type activities:** The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's sewer, stormwater, solid waste and transit systems, as well as, City marina facilities, are reported here.
- **Component units:** The City includes one separate legal entity in its report: The Housing Authority of the City of Key West, Florida ("KWAH"). The KWAH's board has full administrative responsibilities. The City provides free sewer, stormwater, and solid waste services to the KWAH and is responsible to refund withdrawals from certain debt service accounts of the KWAH, as more fully described in Note 12 of this report. KWAH is considered a component unit of the City and is presented discretely in these financial statements.

Reporting the City's Most Significant Funds

The fund financial statements for each City fund begin on page 19 and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by state law and/or by bond covenants. However, the City Commission establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two types of funds (governmental and proprietary) use different accounting approaches.

- **Governmental funds:** Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation on the pages immediately following the governmental fund statements.

CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

- **Proprietary funds:** When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use an internal service fund (the other component of proprietary funds) to report the City's insurance activity, which provides a service to the City's other programs and activities.

The City as Trustee

The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of trust arrangements, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Net Position and Changes in Net Position - Fiduciary Funds on pages 37 and 38. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The City as a Whole

The City's combined net position increased from \$ 309,443,006 to \$ 320,710,752. Governmental activities increased \$ 3,655,451. Most of this increase is the result of operations in the General Fund and Gas Tax Fund. Business type activities increased \$ 7,612,295 of which \$ 4,673,405 was the result of operations in the Key West Bight Fund.

Total net position is comprised of \$ 222,202,633 net investment in capital assets, \$ 35,029,432 restricted for capital projects, transportation, housing initiatives and other purposes, and \$ 63,478,687 in unrestricted funds. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the City's governmental and business-type activities.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 14	FY 13	FY 14	FY 13	FY 14	FY 13
Current and other assets	\$ 77,137,134	\$ 80,102,494	\$ 41,271,189	\$ 33,928,878	\$ 118,408,323	\$ 114,031,372
Capital assets	106,889,749	98,927,430	146,804,867	148,082,957	253,694,616	247,010,387
Total assets	184,026,883	179,029,924	188,076,056	182,011,835	372,102,939	361,041,759
Total deferred outflows of resources	-	-	404,376	476,204	404,376	476,204
Current liabilities	9,039,153	8,574,832	6,678,699	4,981,880	15,717,852	13,556,712
Long-term debt outstanding	584,403	731,462	27,881,149	31,164,897	28,465,552	31,896,359
Other noncurrent liabilities	15,867,568	14,379,001	7,463,443	5,799,597	23,331,011	20,178,598
Total liabilities	16,451,971	15,110,463	35,344,592	36,964,494	51,796,563	52,074,957
Net position:						
Net investment in capital assets	106,158,287	98,927,430	116,044,346	115,458,631	222,202,633	214,386,061
Restricted	34,703,496	39,405,714	325,936	589,057	35,029,432	39,994,771
Unrestricted	26,713,129	25,586,317	36,765,558	29,475,857	63,478,687	55,062,174
Total net position	\$ 167,574,912	\$ 163,919,461	\$ 153,135,840	\$ 145,523,545	\$ 320,710,752	\$ 309,443,006

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Governmental Activities – Net Position

The \$ 167,574,912 in net position of the City's governmental activities is comprised of \$ 106,158,287 net investment in capital assets, \$ 34,703,496 in restricted assets and \$26,713,129 in unrestricted net position, which is the part of net position that can be used to finance day-to-day operations of the General Fund and other governmental activities.

The invested in capital assets increased from the previous year by \$ 7,230,857. This is primarily the result of new additions/disposals netted against current year depreciation of \$ 3,594,123 and repayment of debt.

Restricted net position of \$ 34,703,496 is restricted to comply with the requirements of the special revenue funds or other legal requirements. This was a decrease of \$ 4,702,218 from the previous year. The decrease can be attributed mainly to ongoing capital projects in the Capital Projects Fund.

Unrestricted net position increased slightly by \$ 1,126,812 compared to the prior fiscal year.

Business-Type Activities – Net Position

The \$ 153,135,840 in net position of the City's business type activities is comprised of \$ 116,044,346 net investment in capital assets, \$ 325,936 in restricted assets and \$ 36,765,558 in unrestricted net position. This is an increase of 5.2% in net position.

The net investment in capital assets increased from the previous year by \$ 585,715. This is primarily the result of new additions/disposals netted against current year depreciation of \$ 7,255,927 and repayment of debt. Restricted net position of \$ 325,936 is restricted to comply with the requirements of the sewer bond issues and the requirement of Florida Department of Environmental Protection as it relates to the closure of the landfill. Unrestricted net position increased \$ 7,289,701. The increase in unrestricted net position was the result of positive changes in the proprietary funds overall.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 14	FY 13	FY 14	FY 13	FY 14	FY 13
Revenues:						
Program Revenues:						
Charges for services	\$ 14,211,794	\$ 12,807,445	\$ 33,702,748	\$ 33,873,323	\$ 47,914,542	\$ 46,680,768
Operating grants and contributions	2,260,875	2,041,336	2,239,437	1,124,015	4,500,312	3,165,351
Capital grants and contributions	537,058	2,679,566	3,213,484	2,518,137	3,750,542	5,197,703
General Revenues:						
Taxes: property and other	32,498,963	31,536,675	-	-	32,498,963	31,536,675
Intergovernmental	130,176	115,773	-	-	130,176	115,773
Investment earnings	316,311	197,474	213,936	164,530	530,247	362,004
Other revenues	655,092	16,830,308	322,573	410,245	977,665	17,240,553
Total revenues	50,610,269	66,208,577	39,692,178	38,090,250	90,302,447	104,298,827

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Table 2
Change in Net Position
(continued)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 14	FY 13	FY 14	FY 13	FY 14	FY 13
Program Expenses:						
General government	16,527,846	16,695,883	-	-	16,527,846	16,695,883
Public safety	24,314,705	22,692,140	-	-	24,314,705	22,692,140
Transportation	4,375,774	7,770,432	-	-	4,375,774	7,770,432
Economic environment	1,633,264	1,783,418	-	-	1,633,264	1,783,418
Culture and recreation	2,456,077	2,567,164	-	-	2,456,077	2,567,164
Human services	467,414	488,292	-	-	467,414	488,292
Sanitary Sewer System	-	-	10,550,311	11,404,296	10,550,311	11,404,296
Solid Waste	-	-	8,041,724	8,753,377	8,041,724	8,753,377
Stormwater	-	-	2,223,247	2,754,858	2,223,247	2,754,858
Marinas (Key West and Garrison Bight)	-	-	5,509,129	5,687,626	5,509,129	5,687,626
Transit	-	-	2,935,210	2,732,034	2,935,210	2,732,034
Total expenses	49,775,080	51,997,329	29,259,621	31,332,191	79,034,701	83,329,520
Excess before transfers	835,189	14,211,248	10,432,557	6,758,059	11,267,746	20,969,307
Transfers (net)	2,820,262	3,942,444	(2,820,262)	(3,942,444)	-	-
Change in position	\$ 3,655,451	\$ 18,153,692	\$ 7,612,295	\$ 2,815,615	\$ 11,267,746	\$ 20,969,307

The City's total revenues reported are \$ 90,302,447, which in part represents \$ 47,914,542 in charges for services and \$ 32,498,963 in property and other taxes. Total operating expenses of \$ 79,034,701 are reported. As shown above, revenues and expenses have decreased for the year. The major areas that expenses decreased were in transportation related to the Navy Pier Payments Fund.

Governmental Activities – Change in Net Position

Total revenues for the City's governmental activities of \$ 50,610,269 include \$ 14,211,794 in fees, fines and charges for services, as well as, \$ 32,498,963 in property, state shared and local taxes.

For the year, the City's governmental revenues decreased \$ 15,598,308 or a 23.6% decrease. The decrease is mainly due to the sale and donation of capital assets in the prior year recorded in the other revenues section. The other revenues section decreased \$ 16,175,216 from the prior year.

Another item of note is the decrease of \$ 1,922,969 in combined grants and contributions. This is mainly due to the completion of various grants that the City has had in previous years.

The cost of all governmental activities this year was \$ 49,775,080. However, as shown in the Statement of Activities on page 17, the amount that our taxpayers ultimately financed for these activities, through City ad valorem taxes, was \$ 15,058,483. This is because \$ 14,211,794 of the cost was paid for by those who directly benefited from the programs as well as other governments and organizations that subsidized certain programs with grants and contributions, providing \$ 2,797,933. The City paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

CITY OF KEY WEST, FLORIDA
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Table 3 presents the cost of each of the City's five largest programs: general government, public safety, culture and recreation, transportation, and economic environment as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions. As you can see, the only profit-making program is transportation due to the inclusion of cruise-ship and parking revenues.

Table 3
Governmental Activities

	Total Cost of Services		Net (Cost) Profit of Services	
	FY 14	FY 13	FY 14	FY 13
General government	\$ 16,527,846	\$ 16,695,883	\$ (13,366,949)	\$ (13,974,701)
Public safety	24,314,705	22,692,140	(20,048,517)	(19,243,520)
Culture and recreation	2,456,077	2,567,164	(1,485,688)	(1,556,020)
Transportation	4,375,774	7,770,432	2,994,237	1,154,324
Economic environment	1,633,264	1,783,418	(391,022)	(360,773)
All others	467,414	488,292	(467,414)	(488,292)
Totals	\$ <u>49,775,080</u>	\$ <u>51,997,329</u>	\$ <u>(32,765,353)</u>	\$ <u>(34,468,982)</u>

Business-Type Activities – Changes in Net Position

Revenues of the City's business-type activities (see Table 2) increased by 4.2% (\$ 38,090,250 in 2013 compared to \$ 39,692,178 in 2014). The majority of this increase is the result of an increase of \$ 1,115,422 in operating grants. The majority of this increase in operating grants can be attributed to the collection of grant funds in the Sanitary Sewer System Fund. Capital grants and contributions also increased from the prior fiscal year by \$ 695,347. A major contributor to the increase was the capital grant related to the bus farm facility in the Transit Fund and the capital contribution related to a lease in the Key West Bight Fund.

Financial Analysis of the City's Funds

As stated previously, the City of Key West uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of September 30, 2014, the City's governmental funds reported combined fund balances of \$ 58,740,769, which is a decrease of \$ 1,953,464 in comparison with the prior fiscal year. This decrease can be attributed to the decrease in the Capital Projects Fund as described previously.

The General Fund is the chief operating fund of the City. As of September 30, 2014, the unassigned fund balance account in the General Fund was \$ 12,466,059, an increase of \$ 1,170,532 from the previous year. The current year's increase in unassigned fund balance is more than the prior year's increase of \$ 1,093,088. This unassigned fund balance amount represents 29.7% of the 2014 General Fund budgeted expenditures, excluding capital outlay. This put the unassigned fund balance above the City's fund balance policy of between 20% and 25% of budgeted expenditures

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Total General Fund expenditures increased by \$ 1,380,180 or 3.5%. The increase was related to increased personnel expenditures which were budgeted for. Revenues in the General Fund, including the sale of general capital assets, decreased by \$ 6,025,517 or 13.7%. This decrease is due to the sale of City capital assets in the prior year. There were no significant capital assets sold during the current year.

The Community Development Office Fund revenues decreased by \$ 256,958 and expenditures decreased by \$ 143,884 from the prior fiscal year. The decreases are due to less grant related funding and expenditures compared to the prior year.

The Gas Tax Fund's revenues increased by \$ 192,894 and expenditures decreased by \$ 1,708,299, respectively. The fluctuations are due to an increase in gas tax revenues collected and decreases in grant related project expenditures.

Total Infrastructure Surtax Fund revenues increased by \$ 765,584, with the majority of the increase coming from the discretionary sales surtax. Total expenditures increased by \$ 1,461,447 as there was an increase in various capital projects.

The Capital Projects Fund had a decrease in fund balance of \$ 4,501,953. The decrease was mainly due to the increase in various capital projects.

Proprietary funds. The City of Key West proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of proprietary funds at year-end are as follows:

<u>Fund</u>	<u>Unrestricted Net Position (Deficit)</u>	
	<u>FY 14</u>	<u>FY 13</u>
Sanitary Sewer System	\$ 15,035,036	\$ 11,712,224
Solid Waste	8,743,836	8,290,143
Stormwater	(857,568)	(2,119,469)
Key West Bight	11,970,134	10,323,693
Garrison Bight	1,256,200	773,874
Transit System	617,920	495,392
	<u>\$ 36,765,558</u>	<u>\$ 29,475,857</u>

For the year ending September 30, 2014, the Sanitary Sewer System Fund unrestricted net position increased by \$ 3,322,812. The majority of the increase in unrestricted net position was the result of a decrease in net investment in capital assets. Net investment in capital assets decreased mainly due to an increase in accumulated depreciation compared to the prior year.

While Solid Waste Fund net position remained relatively the same as the prior year, unrestricted net position increased by \$ 453,693. The majority of the increase in unrestricted net position was the result of a decrease in net investment in capital assets. Net investment in capital assets decreased mainly due to an increase in accumulated depreciation compared to the prior year.

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The Stormwater Fund unrestricted net position (deficit) decreased by \$ 1,261,901; while net investment in capital assets decreased by \$ 511,408, mainly due to less capital construction grants than previous years. Overall, Stormwater total net position increased by \$ 750,493.

The Key West Bight Fund had an increase in total net position of \$ 4,673,405. The increase is attributable to positive operating results at the Bight and capital contributions from a new lease at the Bight.

Fiscal Year 2013-14 General Fund Budgetary Highlights

During the fiscal year 2014, the City made various budget amendments which were approved by the City Commission to maintain budget compliance within its major categories. As required by City code, all contracts and purchases in excess of \$ 20,000 were approved by the City Commission.

General Fund revenues fell short from budget in two categories: Fines and forfeitures and Investment earnings.

General Fund revenues in total exceeded the budgeted amount by \$ 2,573,660. Taxes were \$ 378,387 more than budget and \$ 194,447 less than last year. Intergovernmental revenues were \$ 514,110 over budget due to better than anticipated state revenues, specifically in municipal revenue sharing and half cent sales tax. Charges for Services are up from budget \$ 561,823 due to higher cruiseship and parking revenues. Licenses and permits were \$ 995,855 over the budget mainly due to a rise in building permit fees. Fines and forfeitures were under budget by \$ 74,496. The majority of this decline is attributable to a decrease in court and parking fines. The City has installed 69 parking pay stations over the last few years and removed the old coin operated meters. The new pay stations take both coins and debit/credit cards where the old meters only took coins. Now, because it is much easier for the consumer to pay for parking, fine revenue has declined over the past three years while parking revenues increased.

Total General Fund expenditures were lower than the budget by \$ 1,803,904. Personal Services were \$ 124,073 under budget. The savings can be mainly attributed to vacancies from turnover. The operating expenditures budget had a positive variance of \$ 1,465,348 which was made up of a number of positive variances throughout the category. Some of the more significant variances were due to the postponement of several projects and studies until fiscal year 2015.

Capital Assets

At the end of fiscal year 2014, the City had \$ 253,694,616 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 4 below).

CITY OF KEY WEST, FLORIDA
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Table 4
Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 14	FY 13	FY 14	FY 13	FY 14	FY 13
Land	\$ 55,899,880	\$ 55,899,880	\$ 18,681,034	\$ 18,681,034	\$ 74,580,914	\$ 74,580,914
Buildings and improvements	18,005,154	18,044,615	45,797,340	45,797,340	63,802,494	63,841,955
Machinery, equipment and furniture	20,939,799	20,856,780	16,445,335	16,916,312	37,385,134	37,773,092
Infrastructure	49,083,358	46,825,032	159,645,541	155,436,570	208,728,899	202,261,602
Construction in progress	10,160,785	3,235,608	11,037,582	9,478,650	21,198,367	12,714,258
Depreciation	(47,199,227)	(45,934,485)	(104,801,965)	(98,226,949)	(152,001,192)	(144,161,434)
Totals	\$ 106,889,749	\$ 98,927,430	\$ 146,804,867	\$ 148,082,957	\$ 253,694,616	\$ 247,010,387

This year's major additions included:

In the Governmental funds, major additions included approximately \$ 1,139,000 for the Truman Waterfront Project, \$ 1,132,000 for Streets and sidewalks, \$ 1,048,000 for Nelson English Park, \$ 3,337,000 for construction of a new fire station and \$ 1,380,000 for ongoing construction of a new city hall building.

In the Business-Type Activities:

- The Sanitary Sewer System Fund invested approximately \$ 1,129,000 on three sewer system improvement projects.
- The Stormwater Fund incurred approximately \$ 918,000 for several projects aimed at reducing flooding.
- The Key West Bight Fund funded approximately \$ 2,579,000 for renovations of marina properties.
- The Transit Fund funded approximately \$ 1,025,000 for ongoing construction of a bus farm.

More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At year-end, the City had \$ 28,465,552 in bonds and notes outstanding as shown in Table 5:

Table 5
Outstanding Long Term Debt at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 14	FY 13	FY 14	FY 13	FY 14	FY 13
Promissory note	\$ 584,403	\$ 731,462	\$ 2,129,737	\$ 2,419,340	\$ 2,714,140	\$ 3,150,802
Revenue bonds and notes	-	-	25,751,412	28,745,557	25,751,412	28,745,557
Totals	\$ 584,403	\$ 731,462	\$ 27,881,149	\$ 31,164,897	\$ 28,465,552	\$ 31,896,359

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Other obligations include accrued vacation pay, sick leave and outstanding/estimated insurance claims. More detailed information about the City's long-term liabilities is presented in Note 12 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Budget Preparation

The following factors affected the development of the fiscal year 2014-15 budget.

Property values are showing signs of improvement with a 6.9% increase in 2015 over 2014 taxable value, but there continues to be very little growth in new construction.

Even with little growth in new construction, the building permit fee budget grew \$ 375,000 from 2014. Based on better than expected revenue collection in 2014, the City was comfortable with the projected 20% increase to the revenue budget in 2015.

Tourism has continued to improve contributing to higher parking fee and cruiseship revenues. As a result, the 2015 charges for services budget was increased approximately 13% from the 2014 budgeted amount of \$ 6,792,340.

State shared revenues indicate growth in the economy. Anticipating continued economic improvement, the 2015 budget increased by approximately \$ 623,000.

On the expenditure side, several increases are expected. The City's healthcare provider proposed a 13% increase in annual premium to the City. This would have amounted to approximately a \$ 683,000 increase. Through plan changes and increasing the term of the contract to eighteen months versus twelve months, the City was able to reduce the increase down to 7.67%. This represented a \$ 456,000 increase to the General Fund health insurance premium costs. Starting on April 1, 2015 the City's fire department will provide ambulance services. Emergency Medical Services cost for personnel and operating are estimated to be \$ 954,000. A citywide employee reclassification study was performed during fiscal year 2014. As a result of the findings, an additional \$ 587,000 was budgeted in personnel cost to cover salary increases.

In keeping with the City's fund balance policy, the commission approved various one-time expenditures. These expenditures included \$ 300,000 for machinery and equipment, a transfer of \$ 160,000 to fund street paving projects and \$ 156,000 towards the funding of a Vietnam War Memorial.

To balance the budget and reduce the tax burden to the citizens, the commission authorized the use of five days', or approximately \$ 565,000, worth of General Fund reserves. The City Commission ultimately approved a millage rate of 2.7743. A millage increase of 5.09% above rollback. The General Fund budget for fiscal year 2015 is 8.4% higher than the previous year.

Economic Outlook

The economy of Key West is improving. All tourism revenues have shown increases. Building permits are recovering and parking is still performing better than expected.

As previously discussed in the transmittal letter, tourism statistics point to a recovering tourism economy. The hotel bed tax collected in Key West increased by 9% over that of the previous fiscal year, ending up at \$ 17,356,000. Tourists arriving at Key West International Airport for the fiscal year numbered 384,100, compared to 380,300 in 2013. Local sales tax collection increased in 2014, with both the half cent sales and one cent sales tax recording growth.

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The growth of tourism will not only help the local economy, but benefits the City directly. Many visitors drive down the scenic Overseas Highway from the mainland. Parking meters, parking fines, and parking lots revenues account for approximately 9% of the general fund revenue sources. Sales tax collections, gas tax collections and other state shared revenues continue to grow with the increase in tourism. In addition, the City leases many properties which rely on tourism. Many of these leases include rents based on sales volume that directly benefits the City as the sales of food, beverages and merchandise increase. Monroe County sales tax data reflects retail taxable sales in the amount of \$ 2,633,700,000 compared to \$ 2,434,400,000 from the previous year.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please visit the City's web site at www.cityofkeywest-fl.gov or by contacting the Finance Department, City of Key West, P.O. Box 1409, Key West, FL 33041.

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BASIC FINANCIAL STATEMENTS

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CITY OF KEY WEST, FLORIDA
STATEMENT OF NET POSITION
September 30, 2014

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS:				
Current assets:				
Cash, cash equivalents, and investments	\$ 66,631,343	\$ 36,762,021	\$ 103,393,364	\$ 3,273,580
Cash, cash equivalents and investments (restricted)	-	840,842	840,842	2,589,275
Accounts receivable (net of allowances)	1,538,575	2,178,527	3,717,102	30,449
Intergovernmental receivables	1,810,653	614,059	2,424,712	1,289,075
Inventories	7,357	653,794	661,151	62,714
Prepaid items and other assets	114,748	30,736	145,484	714,783
Mortgages and other notes receivable	26,899	86,195	113,094	-
Internal balances	1,794,554	(1,794,554)	-	-
Total current assets	71,924,129	39,371,620	111,295,749	7,959,876
Noncurrent assets:				
Net pension assets	3,910,379	-	3,910,379	230,935
Capital assets:				
Land	55,899,880	18,681,034	74,580,914	10,748,552
Buildings and improvements	18,005,154	45,797,340	63,802,494	65,807,405
Infrastructure	49,083,358	159,645,541	208,728,899	1,167,753
Machinery, equipment and furniture	20,939,799	16,445,335	37,385,134	1,329,854
Accumulated depreciation	(47,199,227)	(104,801,965)	(152,001,192)	(26,355,518)
Construction in progress	10,160,785	11,037,582	21,198,367	466,285
Other, including loans, mortgages, and other notes receivable	1,302,626	1,899,569	3,202,195	-
Total noncurrent assets	112,102,754	148,704,436	260,807,190	53,395,266
Total assets	184,026,883	188,076,056	372,102,939	61,355,142
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charge on refunding	-	404,376	404,376	-
Total assets and deferred outflows of resources	\$ 184,026,883	\$ 188,480,432	\$ 372,507,315	\$ 61,355,142

The accompanying notes to financial statements are an integral part of these statements.

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
LIABILITIES:				
Current liabilities:				
Accounts payable and accrued expenses	\$ 2,583,451	\$ 1,548,138	\$ 4,131,589	\$ 336,911
Accrued wages and benefits	1,414,801	171,425	1,586,226	-
Unearned revenue	1,110,565	899,058	2,009,623	-
Intergovernmental	217,049	-	217,049	500,712
Deposits	53,364	-	53,364	-
Insurance claims payable	726,846	-	726,846	-
Retainage payable	553,284	213,323	766,607	-
Due to fiduciary fund	-	-	-	11,063
Compensated absences	2,232,734	144,744	2,377,478	36,510
Accrued interest	-	378,263	378,263	267,100
Bonds and notes payable	147,059	3,283,748	3,430,807	1,051,207
Landfill closure costs payable	-	40,000	40,000	410,000
Total current liabilities	9,039,153	6,678,699	15,717,852	2,613,503
Noncurrent liabilities:				
Notes payable	584,403	2,129,737	2,714,140	6,893,532
Revenue bonds payable	-	25,751,412	25,751,412	22,961,869
Insurance claims payable	1,559,155	-	1,559,155	-
Landfill closure costs payable	-	23,333	23,333	-
Compensated absences	1,370,117	79,760	1,449,877	328,580
OPEB liability	2,782,325	222,051	3,004,376	102,228
Other	1,116,818	459,600	1,576,418	-
Total noncurrent liabilities	7,412,818	28,665,893	36,078,711	30,286,209
Total liabilities	16,451,971	35,344,592	51,796,563	32,899,712
NET POSITION:				
Net investment in capital assets	106,158,287	116,044,346	222,202,633	22,257,723
Restricted for:				
Infrastructure and capital projects	28,162,974	-	28,162,974	-
Debt service	-	222,505	222,505	-
Landfill closure	-	103,431	103,431	-
Transportation	1,721,283	-	1,721,283	-
Natural resources	1,215,972	-	1,215,972	-
Housing initiatives and urban redevelopment	3,411,181	-	3,411,181	831,764
Law enforcement	188,676	-	188,676	-
Art in public places	3,410	-	3,410	-
Unrestricted	26,713,129	36,765,558	63,478,687	5,365,943
Total net position	167,574,912	153,135,840	320,710,752	28,455,430
Total liabilities and net position	\$ 184,026,883	\$ 188,480,432	\$ 372,507,315	\$ 61,355,142

CITY OF KEY WEST, FLORIDA
STATEMENT OF ACTIVITIES
For the Year ended September 30, 2014

		Program Revenues		
Functions/Programs	Expenses	Fee, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 16,505,454	\$ 3,160,897	\$ -	\$ -
Public safety	24,314,705	3,296,196	536,491	433,501
Transportation	4,375,774	7,266,454	-	103,557
Economic environment	1,633,264	26,473	1,215,769	-
Culture and recreation	2,456,077	461,774	508,615	-
Human services	467,414	-	-	-
Interest and other fiscal charges	22,392	-	-	-
Total governmental activities	49,775,080	14,211,794	2,260,875	537,058
Business-Type Activities:				
Sanitary Sewer System	10,550,311	11,978,877	609,273	-
Solid Waste	8,041,724	9,397,610	-	-
Key West Bight	4,158,433	7,465,235	-	2,000,000
Stormwater	2,223,247	2,131,433	70,226	189,971
Garrison Bight	1,350,696	1,603,716	131,415	-
Transit System	2,935,210	1,125,877	1,428,523	1,023,513
Total business-type activities	29,259,621	33,702,748	2,239,437	3,213,484
Total primary government	\$ 79,034,701	\$ 47,914,542	\$ 4,500,312	\$ 3,750,542
COMPONENT UNIT:				
The Key West Housing Authority of of the City of Key West, Florida	\$ 12,791,530	\$ 7,500,815	\$ 4,226,866	\$ 238,668
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Communications taxes				
Local business tax				
Municipal revenue sharing gas and cigarette tax				
One cent sales tax				
Half cent sales tax				
Local option gas tax				
Intergovernmental income (unrestricted)				
Payment in lieu of tax				
Investment earnings				
Other, including sale of capital assets				
Transfers in (out)				
Total general revenues and transfers				
Change in net position				
NET POSITION, October 1 (as restated, Note 16)				
NET POSITION, September 30				

The accompanying notes to financial statements are an integral part of these statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business- type Activities	Total	Component Units
\$ (13,344,557)	\$ -	\$ (13,344,557)	\$ -
(20,048,517)	-	(20,048,517)	-
2,994,237	-	2,994,237	-
(391,022)	-	(391,022)	-
(1,485,688)	-	(1,485,688)	-
(467,414)	-	(467,414)	-
(22,392)	-	(22,392)	-
(32,765,353)	-	(32,765,353)	-
-	2,037,839	2,037,839	-
-	1,355,886	1,355,886	-
-	5,306,802	5,306,802	-
-	168,383	168,383	-
-	384,435	384,435	-
-	642,703	642,703	-
-	9,896,048	9,896,048	-
(32,765,353)	9,896,048	(22,869,305)	-
			(825,181)
15,058,483	-	15,058,483	-
1,473,821	-	1,473,821	-
1,448,496	-	1,448,496	-
1,198,276	-	1,198,276	-
7,710,624	-	7,710,624	-
4,112,208	-	4,112,208	-
1,497,055	-	1,497,055	-
130,176	-	130,176	-
475,434	-	475,434	-
316,311	213,936	530,247	9,740
179,658	322,573	502,231	803,584
2,820,262	(2,820,262)	-	-
36,420,804	(2,283,753)	34,137,051	813,324
3,655,451	7,612,295	11,267,746	(11,857)
163,919,461	145,523,545	309,443,006	28,467,287
\$ 167,574,912	\$ 153,135,840	\$ 320,710,752	\$ 28,455,430

CITY OF KEY WEST, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2014

	General Fund	Community Development Office Fund	Gas Tax Fund
ASSETS:			
Cash, cash equivalents, and investments	\$ 16,783,499	\$ 492,127	\$ 1,077,429
Receivables (net of allowance for uncollectibles):			
Accounts	333,294	6,483	-
Intergovernmental	651,653	94,532	288,725
Mortgage notes	-	1,329,525	-
Inventories	7,357	-	-
Advances to other funds	1,785,896	-	-
Prepays	35,075	4,852	-
Total assets	\$ 19,596,774	\$ 1,927,519	\$ 1,366,154
LIABILITIES:			
Accounts payable	\$ 537,133	\$ 2,863	\$ 68,484
Accrued payroll and related expenses	1,385,111	395	10,517
Due to other funds	59,977	-	838
Intergovernmental	88,593	128,456	-
Deposits	53,364	-	-
Unearned revenue	861,917	1,245,037	9,571
Retainage payable	-	-	-
Total liabilities	2,986,095	1,376,751	89,410
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - grant funding	69,996	-	96,461
Total deferred inflows of resources	69,996	-	96,461
FUND BALANCES:			
Nonspendable:			
Inventories	7,357	-	-
Long-term advances/notes	1,785,896	185,808	-
Prepays	35,075	4,852	-
Restricted for:			
Art in public places	3,410	-	-
Infrastructure and capital projects	-	-	-
Housing initiatives and urban redevelopment	-	360,108	-
Law enforcement	-	-	-
Transportation	-	-	1,180,283
Natural resources	-	-	-
Committed to:			
Infrastructure and capital projects	-	-	-
Art in public places	110,805	-	-
Culture and recreation	248,910	-	-
Assigned to:			
Subsequent year's budget	1,883,171	-	-
Unassigned	12,466,059	-	-
Total fund balances	16,540,683	550,768	1,180,283
Total liabilities, deferred inflows of resources and fund balances	\$ 19,596,774	\$ 1,927,519	\$ 1,366,154

The accompanying notes to financial statements are an integral part of these statements.

Infrastructure Surtax Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 16,669,866	\$ 20,387,607	\$ 5,383,482	\$ 60,794,010
-	-	-	339,777
765,349	-	10,394	1,810,653
-	-	-	1,329,525
-	-	-	7,357
-	-	-	1,785,896
-	-	-	39,927
<u>\$ 17,435,215</u>	<u>\$ 20,387,607</u>	<u>\$ 5,393,876</u>	<u>\$ 66,107,145</u>
\$ 1,000,583	\$ 572,676	\$ 395,252	\$ 2,576,991
4,199	8,135	-	1,408,357
140	-	-	60,955
-	-	-	217,049
-	-	-	53,364
109,938	-	-	2,226,463
-	360,721	192,563	553,284
<u>1,114,860</u>	<u>941,532</u>	<u>587,815</u>	<u>7,096,463</u>
<u>103,456</u>	<u>-</u>	<u>-</u>	<u>269,913</u>
<u>103,456</u>	<u>-</u>	<u>-</u>	<u>269,913</u>
-	-	-	7,357
-	-	-	1,971,704
-	-	-	39,927
-	-	-	3,410
16,216,899	11,946,075	-	28,162,974
-	-	2,860,413	3,220,521
-	-	188,676	188,676
-	-	541,000	1,721,283
-	-	1,215,972	1,215,972
-	7,500,000	-	7,500,000
-	-	-	110,805
-	-	-	248,910
-	-	-	1,883,171
-	-	-	12,466,059
<u>16,216,899</u>	<u>19,446,075</u>	<u>4,806,061</u>	<u>58,740,769</u>
<u>\$ 17,435,215</u>	<u>\$ 20,387,607</u>	<u>\$ 5,393,876</u>	<u>\$ 66,107,145</u>

The accompanying notes to financial statements are an integral part of these statements.

CITY OF KEY WEST, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
September 30, 2014

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 58,740,769

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds. 106,889,749

Internal service funds are used by management to charge the costs of insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 4,871,694

The net pension asset is not available resource and, therefore, is not reported in the funds. 3,910,379

Certain revenues are considered deferred inflows of resources in the fund financial statements due to availability of funds; under full accrual accounting they are considered revenues. 269,913

Liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities are comprised of the following:

Other post employment benefits (OPEB)	\$	(2,782,325)	
Note payable		(731,462)	
Compensated absences*		(3,593,805)	(7,107,592)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 167,574,912

* Not created in connection with terminated employees.

The accompanying notes to financial statements are an integral part of these statements.

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CITY OF KEY WEST, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	General Fund	Community Development Office Fund
REVENUES:		
Taxes	\$ 16,399,038	\$ -
Licenses and permits	4,001,655	-
Intergovernmental	7,150,588	1,210,878
Charges for services	7,354,163	-
Fines and forfeitures	629,454	-
Investment earnings	133,875	1,516
Rental income	2,137,515	26,473
Contributions and other	112,141	-
Total revenues	37,918,429	1,238,867
EXPENDITURES:		
Current:		
General government	15,365,596	-
Public safety	21,650,994	-
Transportation	913,521	-
Economic environment	49,314	1,330,314
Culture and recreation	1,961,513	-
Human services	467,197	-
Capital outlay	456,745	-
Debt service:		
Principal	-	-
Interest	-	-
Total expenditures	40,864,880	1,330,314
Excess (deficiency) of revenues over expenditures	(2,946,451)	(91,447)
OTHER FINANCING SOURCES (USES):		
Transfers in	5,730,019	-
Transfers out	(830,701)	-
Sale of general capital assets	19,866	-
Total other financing sources (uses)	4,919,184	-
Net change in fund balances	1,972,733	(91,447)
Fund balances, October 1	14,567,950	642,215
Fund balances, September 30	\$ 16,540,683	\$ 550,768

The accompanying notes to financial statements are an integral part of these statements.

Gas Tax Fund	Infrastructure Surtax Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,497,055	\$ 7,710,624	\$ -	\$ 696,525	\$ 26,303,242
-	-	-	-	4,001,655
1,688,925	69,316	-	515,059	10,634,766
-	-	-	607,798	7,961,961
-	-	-	49,557	679,011
-	65,404	99,378	17,020	317,193
-	-	-	-	2,163,988
25,333	90,000	-	37	227,511
<u>3,211,313</u>	<u>7,935,344</u>	<u>99,378</u>	<u>1,885,996</u>	<u>52,289,327</u>
-	430,549	93,038	41,259	15,930,442
-	25,990	-	62,163	21,739,147
1,202,550	-	-	1,793,916	3,909,987
-	-	-	253,636	1,633,264
-	5,541	-	-	1,967,054
-	-	-	-	467,197
1,183,072	3,552,497	5,202,839	1,202,014	11,597,167
-	-	-	147,059	147,059
-	-	-	22,392	22,392
<u>2,385,622</u>	<u>4,014,577</u>	<u>5,295,877</u>	<u>3,522,439</u>	<u>57,413,709</u>
<u>825,691</u>	<u>3,920,767</u>	<u>(5,196,499)</u>	<u>(1,636,443)</u>	<u>(5,124,382)</u>
1,808,946	8,929	700,000	621,755	8,869,649
(676,609)	(4,168,004)	(5,454)	(37,829)	(5,718,597)
-	-	-	-	19,866
<u>1,132,337</u>	<u>(4,159,075)</u>	<u>694,546</u>	<u>583,926</u>	<u>3,170,918</u>
1,958,028	(238,308)	(4,501,953)	(1,052,517)	(1,953,464)
<u>(777,745)</u>	<u>16,455,207</u>	<u>23,948,028</u>	<u>5,858,578</u>	<u>60,694,233</u>
\$ <u><u>1,180,283</u></u>	\$ <u><u>16,216,899</u></u>	\$ <u><u>19,446,075</u></u>	\$ <u><u>4,806,061</u></u>	\$ <u><u>58,740,769</u></u>

CITY OF KEY WEST, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
September 30, 2014

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (1,953,464)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital outlay exceeded depreciation expense and disposals for the current period:

Expenditures for capital assets	\$	11,597,167	
Less: Net book value of disposed assets		(40,725)	
Less: Current year depreciation		<u>(3,594,123)</u>	7,962,319

Repayment of a loan is an expenditure in the governmental funds, but the repayment is a reduction of a liability in the statement of net position.	147,059
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Revenues that are earned but not received within the availability period are recognized in the statement of activities when earned and subsequently in the governmental fund financial statements when they become available. The net difference is recorded as a reconciling item.	(1,698,924)
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available:

Other post employment benefits (OPEB)	(504,135)
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The change in compensated absences, not created by employee termination, does not require the use of current financial resources and, therefore, is not reported in the governmental funds.	(224,381)
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service fund is reported with governmental funds.	(350,078)
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Net pension assets reported in the statement of activities do not require the use of, or provide, current financial resources and, therefore, are not reported in the governmental funds.	<u>277,055</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>3,655,451</u></u>
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The accompanying notes to financial statements are an integral part of these statements.

CITY OF KEY WEST, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES:				
Taxes	\$ 16,020,651	\$ 16,020,651	\$ 16,399,038	\$ 378,387
Licenses and permits	3,005,800	3,005,800	4,001,655	995,855
Intergovernmental	6,497,700	6,636,478	7,150,588	514,110
Charges for services	6,792,340	6,792,340	7,354,163	561,823
Fines and forfeitures	704,400	704,400	629,454	(74,946)
Investment earnings	150,000	150,000	133,875	(16,125)
Rental income	1,950,100	1,950,100	2,137,515	187,415
Contributions and other	30,000	85,000	112,141	27,141
Total revenues	<u>35,150,991</u>	<u>35,344,769</u>	<u>37,918,429</u>	<u>2,573,660</u>
EXPENDITURES:				
Personal services	32,435,483	32,455,052	32,330,979	124,073
Operating	8,312,105	9,493,190	8,027,842	1,465,348
Capital outlay	472,957	663,742	456,745	206,997
Aid to private organizations	55,000	56,800	49,314	7,486
Total expenditures	<u>41,275,545</u>	<u>42,668,784</u>	<u>40,864,880</u>	<u>1,803,904</u>
Excess (deficiency) of revenues over expenditures	<u>(6,124,554)</u>	<u>(7,324,015)</u>	<u>(2,946,451)</u>	<u>4,377,564</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	5,912,233	5,912,233	5,730,019	(182,214)
Transfers out	(843,335)	(830,701)	(830,701)	-
Sale of general capital assets	-	10,000	19,866	9,866
Total other financing sources (uses)	<u>5,068,898</u>	<u>5,091,532</u>	<u>4,919,184</u>	<u>(172,348)</u>
Net change in fund balance	<u>\$ (1,055,656)</u>	<u>\$ (2,232,483)</u>	<u>\$ 1,972,733</u>	<u>\$ 4,205,216</u>
FUND BALANCE, October 1			<u>14,567,950</u>	
FUND BALANCE, September 30			<u>\$ 16,540,683</u>	

The accompanying notes to financial statements are an integral part of these statements.

CITY OF KEY WEST, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GAS TAX SPECIAL REVENUE FUND
For the Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final</u>
				<u>Budget</u>
REVENUES:				
Taxes	\$ 1,390,000	\$ 1,390,000	\$ 1,497,055	\$ 107,055
Intergovernmental	-	1,889,467	1,688,925	(200,542)
Contributions and other	25,300	127,300	25,333	(101,967)
Total revenues	<u>1,415,300</u>	<u>3,406,767</u>	<u>3,211,313</u>	<u>(195,454)</u>
EXPENDITURES:				
Personal Services	251,625	249,125	196,001	53,124
Operating	656,554	793,016	1,006,549	(213,533)
Capital outlay	1,868,946	3,111,511	1,183,072	1,928,439
Total expenditures	<u>2,777,125</u>	<u>4,153,652</u>	<u>2,385,622</u>	<u>1,768,030</u>
Excess (deficiency) of				
revenue over expenditures	<u>(1,361,825)</u>	<u>(746,885)</u>	<u>825,691</u>	<u>1,572,576</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,808,946	1,808,946	1,808,946	-
Transfers out	(676,609)	(676,609)	(676,609)	-
Total other financing				
sources (uses)	<u>1,132,337</u>	<u>1,132,337</u>	<u>1,132,337</u>	<u>-</u>
Net change in				
fund balance	<u>\$ (229,488)</u>	<u>\$ 385,452</u>	<u>1,958,028</u>	<u>\$ 1,572,576</u>
FUND BALANCE, October 1			<u>(777,745)</u>	
FUND BALANCE, September 30			<u>\$ 1,180,283</u>	

The accompanying notes to financial statements are an integral part of these statements.

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CITY OF KEY WEST, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2014

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
ASSETS:			
Current assets:			
Cash, cash equivalents and investments	\$ 12,053,649	\$ 8,715,983	\$ 10,640,286
Receivables, net of allowance for uncollectibles:			
Accounts	875,890	735,266	398,144
Intergovernmental	-	-	-
Interfund receivables	-	-	-
Prepaid expenses	-	-	23,354
Note receivable	-	-	86,195
Inventories	533,863	4,728	62,082
	<u>13,463,402</u>	<u>9,455,977</u>	<u>11,210,061</u>
Restricted assets:			
Cash, cash equivalents and investments	540,141	300,701	-
Total current assets	<u>14,003,543</u>	<u>9,756,678</u>	<u>11,210,061</u>
Noncurrent assets:			
Property, plant and equipment:			
Land	6,480	3,745,027	14,879,527
Buildings and improvements	24,900,870	8,677,969	7,000,827
Infrastructure	110,283,178	3,697	9,361,793
Machinery, equipment and furniture	9,315,610	749,976	638,203
Construction in progress	4,608,546	-	3,392,856
Total property, plant and equipment	149,114,684	13,176,669	35,273,206
Less accumulated depreciation	<u>69,473,175</u>	<u>2,863,568</u>	<u>10,026,695</u>
Net property, plant and equipment	<u>79,641,509</u>	<u>10,313,101</u>	<u>25,246,511</u>
Other noncurrent assets:			
Note receivable, less current portion	-	-	1,899,569
Advances to other funds	1,914,649	-	120,691
Total noncurrent assets	<u>81,556,158</u>	<u>10,313,101</u>	<u>27,266,771</u>
Total assets	<u>95,559,701</u>	<u>20,069,779</u>	<u>38,476,832</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charge on refunding	<u>387,508</u>	<u>-</u>	<u>16,868</u>
Total assets and deferred outflows of resources	\$ <u><u>95,947,209</u></u>	\$ <u><u>20,069,779</u></u>	\$ <u><u>38,493,700</u></u>

The accompanying notes to financial statements are an integral part of these statements.

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$ 2,963,768	\$ 2,388,335	\$ 36,762,021	\$ 5,837,333
38,433	130,794	2,178,527	1,198,798
8,227	605,832	614,059	-
-	-	-	69,613
-	7,382	30,736	74,821
-	-	86,195	-
29,225	23,896	653,794	-
<u>3,039,653</u>	<u>3,156,239</u>	<u>40,325,332</u>	<u>7,180,565</u>
-	-	840,842	-
<u>3,039,653</u>	<u>3,156,239</u>	<u>41,166,174</u>	<u>7,180,565</u>
-	50,000	18,681,034	-
-	5,217,674	45,797,340	-
32,150,979	7,845,894	159,645,541	-
108,501	5,633,045	16,445,335	-
839,462	2,196,718	11,037,582	-
33,098,942	20,943,331	251,606,832	-
<u>9,929,191</u>	<u>12,509,336</u>	<u>104,801,965</u>	<u>-</u>
<u>23,169,751</u>	<u>8,433,995</u>	<u>146,804,867</u>	<u>-</u>
-	-	1,899,569	-
-	-	2,035,340	-
<u>23,169,751</u>	<u>8,433,995</u>	<u>150,739,776</u>	<u>-</u>
<u>26,209,404</u>	<u>11,590,234</u>	<u>191,905,950</u>	<u>7,180,565</u>
-	-	404,376	-
<u>\$ 26,209,404</u>	<u>\$ 11,590,234</u>	<u>\$ 192,310,326</u>	<u>\$ 7,180,565</u>

CITY OF KEY WEST, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(continued)
September 30, 2014

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
LIABILITIES AND NET POSITION:			
Current liabilities:			
Accounts payable	\$ 145,092	\$ 510,481	\$ 244,795
Accrued payroll and related expenses	10,024	33,746	31,852
Compensated absences	2,556	47,013	25,631
Accrued expenses	-	-	166,363
Accrued interest	317,636	-	60,627
Interfund payable	349	1,396	2,165
Retainage payable	-	16,438	29,821
Insurance claims payable	-	-	-
Landfill closure costs payable	-	40,000	-
Unearned revenue	167,968	197,270	378,032
Bonds and note payable	2,002,177	-	1,281,571
Total current liabilities	<u>2,645,802</u>	<u>846,344</u>	<u>2,220,857</u>
Noncurrent liabilities:			
Revenue bonds payable	21,635,926	-	4,115,486
Note payable	2,129,737	-	-
Landfill closure costs payable	-	23,333	-
Advances from other funds	-	-	-
Insurance claims payable	-	-	-
Customer deposits	600	-	233,568
OPEB liability	15,050	8,488	68,298
Compensated absences	1,376	31,246	19,035
Total noncurrent liabilities	<u>23,782,689</u>	<u>63,067</u>	<u>4,436,387</u>
Total liabilities	<u>26,428,491</u>	<u>909,411</u>	<u>6,657,244</u>
NET POSITION:			
Net investment in capital assets	54,261,177	10,313,101	19,866,322
Restricted for debt service	222,505	-	-
Restricted for landfill long-term closure costs	-	103,431	-
Unrestricted (deficit)	15,035,036	8,743,836	11,970,134
Total net position	<u>69,518,718</u>	<u>19,160,368</u>	<u>31,836,456</u>
Total liabilities and net position	<u>\$ 95,947,209</u>	<u>\$ 20,069,779</u>	<u>\$ 38,493,700</u>

The accompanying notes to financial statements are an integral part of these statements.

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$ 154,399	\$ 327,008	\$ 1,381,775	\$ 6,460
2,183	93,620	171,425	6,444
1,278	68,266	144,744	5,880
-	-	166,363	-
-	-	378,263	-
70	4,678	8,658	-
31,904	135,160	213,323	-
-	-	-	726,846
-	-	40,000	-
-	155,788	899,058	920
-	-	3,283,748	-
<u>189,834</u>	<u>784,520</u>	<u>6,687,357</u>	<u>746,550</u>
-	-	25,751,412	-
-	-	2,129,737	-
-	-	23,333	-
3,700,545	120,691	3,821,236	-
-	-	-	1,559,155
-	225,432	459,600	-
6,154	124,061	222,051	-
688	27,415	79,760	3,166
<u>3,707,387</u>	<u>497,599</u>	<u>32,487,129</u>	<u>1,562,321</u>
<u>3,897,221</u>	<u>1,282,119</u>	<u>39,174,486</u>	<u>2,308,871</u>
23,169,751	8,433,995	116,044,346	-
-	-	222,505	-
-	-	103,431	-
(857,568)	1,874,120	36,765,558	4,871,694
<u>22,312,183</u>	<u>10,308,115</u>	<u>153,135,840</u>	<u>4,871,694</u>
<u>\$ 26,209,404</u>	<u>\$ 11,590,234</u>	<u>\$ 192,310,326</u>	<u>\$ 7,180,565</u>

CITY OF KEY WEST, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2014

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
OPERATING REVENUES:			
Charges for services	\$ 11,978,877	\$ 9,397,610	\$ 7,465,235
Total operating revenues	<u>11,978,877</u>	<u>9,397,610</u>	<u>7,465,235</u>
OPERATING EXPENSES:			
Personal services	201,482	766,678	797,858
Other operating expenses	5,561,180	6,804,670	2,371,685
Depreciation	<u>4,042,984</u>	<u>470,376</u>	<u>789,107</u>
Total operating expenses	<u>9,805,646</u>	<u>8,041,724</u>	<u>3,958,650</u>
Operating income (loss)	<u>2,173,231</u>	<u>1,355,886</u>	<u>3,506,585</u>
NONOPERATING REVENUES (EXPENSES):			
Grant income (operating)	609,273	-	-
Investment earnings	107,703	42,042	44,799
Other income	22,382	-	130,885
Interest expense and other fiscal charges	<u>(744,665)</u>	<u>-</u>	<u>(199,783)</u>
Net nonoperating revenues (expenses)	<u>(5,307)</u>	<u>42,042</u>	<u>(24,099)</u>
Income (loss) before transfers and contributions	<u>2,167,924</u>	<u>1,397,928</u>	<u>3,482,486</u>
TRANSFERS AND CONTRIBUTIONS:			
Capital contributions	-	-	2,000,000
Transfers in	-	-	-
Transfers out	<u>(1,240,429)</u>	<u>(1,415,965)</u>	<u>(809,081)</u>
Total transfers and contributions	<u>(1,240,429)</u>	<u>(1,415,965)</u>	<u>1,190,919</u>
Change in net position	927,495	(18,037)	4,673,405
NET POSITION, October 1	<u>68,591,223</u>	<u>19,178,405</u>	<u>27,163,051</u>
NET POSITION, September 30	<u>\$ 69,518,718</u>	<u>\$ 19,160,368</u>	<u>\$ 31,836,456</u>

The accompanying notes to financial statements are an integral part of these statements.

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$ 2,131,433	\$ 2,729,593	\$ 33,702,748	\$ 8,384,345
<u>2,131,433</u>	<u>2,729,593</u>	<u>33,702,748</u>	<u>8,384,345</u>
50,871	2,074,583	3,891,472	120,979
731,867	1,570,244	17,039,646	8,339,107
<u>1,313,085</u>	<u>640,375</u>	<u>7,255,927</u>	<u>-</u>
<u>2,095,823</u>	<u>4,285,202</u>	<u>28,187,045</u>	<u>8,460,086</u>
<u>35,610</u>	<u>(1,555,609)</u>	<u>5,515,703</u>	<u>(75,741)</u>
70,226	1,559,938	2,239,437	-
11,675	7,717	213,936	28,853
11,353	157,953	322,573	27,600
<u>(127,424)</u>	<u>(704)</u>	<u>(1,072,576)</u>	<u>-</u>
<u>(34,170)</u>	<u>1,724,904</u>	<u>1,703,370</u>	<u>56,453</u>
<u>1,440</u>	<u>169,295</u>	<u>7,219,073</u>	<u>(19,288)</u>
189,971	1,023,513	3,213,484	-
1,000,000	600,000	1,600,000	-
<u>(440,918)</u>	<u>(513,869)</u>	<u>(4,420,262)</u>	<u>(330,790)</u>
<u>749,053</u>	<u>1,109,644</u>	<u>393,222</u>	<u>(330,790)</u>
750,493	1,278,939	7,612,295	(350,078)
<u>21,561,690</u>	<u>9,029,176</u>	<u>145,523,545</u>	<u>5,221,772</u>
\$ <u><u>22,312,183</u></u>	\$ <u><u>10,308,115</u></u>	\$ <u><u>153,135,840</u></u>	\$ <u><u>4,871,694</u></u>

CITY OF KEY WEST, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2014

	Sanitary Sewer System	Solid Waste	Key West Bight
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 12,249,131	\$ 9,970,565	\$ 7,440,803
Cash received from interfund charges	-	-	-
Cash paid to suppliers	(5,491,982)	(6,918,565)	(2,335,619)
Cash paid to employees	(241,609)	(770,319)	(794,765)
Other receipts	22,382	-	130,885
Net cash provided by (used in) operating activities	6,537,922	2,281,681	4,441,304
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating grants received	609,273	-	-
Repayments received on advances to other funds	88,212	-	44,295
Repayments made on advances from other funds	-	-	-
Interest paid on advances from other funds	-	-	-
Transfers in	-	-	-
Transfers (out)	(1,240,429)	(1,415,965)	(809,081)
Net cash provided by (used in) noncapital financing activities	(542,944)	(1,415,965)	(764,786)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from capital grants and contributions*	-	-	14,236
Acquisition and construction of capital assets	(1,248,804)	(248,911)	(2,483,838)
Principal paid on revenue bonds	(415,000)	-	(1,240,273)
Interest paid and other fiscal charges	(430,168)	-	(202,780)
Payments on note	(280,360)	-	-
Net cash provided by (used in) capital and related financing activities	(2,374,332)	(248,911)	(3,912,655)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings	107,703	42,042	44,799
Net cash provided by (used in) investing activities	107,703	42,042	44,799
Net increase (decrease) in cash, cash equivalents and investments	3,728,349	658,847	(191,338)
CASH, CASH EQUIVALENTS AND INVESTMENTS, October 1	8,865,441	8,357,837	10,831,624
CASH, CASH EQUIVALENTS AND INVESTMENTS, September 30	\$ 12,593,790	\$ 9,016,684	\$ 10,640,286
RECONCILIATION TO STATEMENT OF NET POSITION:			
Cash, cash equivalents and investments	\$ 12,053,649	\$ 8,715,983	\$ 10,640,286
Restricted cash, cash equivalents and investments	540,141	300,701	-
Cash, cash equivalents and investments	\$ 12,593,790	\$ 9,016,684	\$ 10,640,286

* Capital contributions for the year ended September 30, 2014 are all associated with cash transactions.

The accompanying notes to financial statements are an integral part of these statements.

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 2,346,806	\$ 2,762,126	\$ 34,769,431	\$ -
-	-	-	8,314,747
(599,176)	(1,560,807)	(16,906,149)	(9,424,458)
(54,466)	(2,033,381)	(3,894,540)	(162,922)
11,353	161,095	325,715	27,600
<u>1,704,517</u>	<u>(670,967)</u>	<u>14,294,457</u>	<u>(1,245,033)</u>
70,226	1,592,703	2,272,202	-
-	-	132,507	-
(213,102)	(44,295)	(257,397)	-
(127,424)	(704)	(128,128)	-
1,000,000	600,000	1,600,000	-
(440,918)	(513,869)	(4,420,262)	(330,790)
<u>288,782</u>	<u>1,633,835</u>	<u>(801,078)</u>	<u>(330,790)</u>
608,441	1,098,854	1,721,531	-
(1,013,156)	(1,081,191)	(6,075,900)	-
-	-	(1,655,273)	-
-	-	(632,948)	-
-	-	(280,360)	-
<u>(404,715)</u>	<u>17,663</u>	<u>(6,922,950)</u>	<u>-</u>
<u>11,675</u>	<u>7,717</u>	<u>213,936</u>	<u>28,853</u>
<u>11,675</u>	<u>7,717</u>	<u>213,936</u>	<u>28,853</u>
1,600,259	988,248	6,784,365	(1,546,970)
<u>1,363,509</u>	<u>1,400,087</u>	<u>30,818,498</u>	<u>7,384,303</u>
\$ <u>2,963,768</u>	\$ <u>2,388,335</u>	\$ <u>37,602,863</u>	\$ <u>5,837,333</u>
\$ 2,963,768	\$ 2,388,335	\$ 36,762,021	\$ 5,837,333
-	-	840,842	-
\$ <u>2,963,768</u>	\$ <u>2,388,335</u>	\$ <u>37,602,863</u>	\$ <u>5,837,333</u>

CITY OF KEY WEST, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(continued)
For the Year Ended September 30, 2014

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ <u>2,173,231</u>	\$ <u>1,355,886</u>	\$ <u>3,506,585</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Other nonoperating revenues	22,382	-	130,885
Depreciation	4,042,984	470,376	789,107
Decrease (increase) in assets:			
Accounts receivables, net	269,289	554,886	(53,093)
Interfund receivables, net	338	930	1,564
Prepaid expenses	-	-	(6,022)
Inventories	22,281	(2,059)	14,965
Increase (decrease) in liabilities:			
Accounts payable	46,917	(71,836)	24,657
Accrued payroll and related expenses	(683)	4,483	(2,768)
Accrued expenses	-	-	2,466
Interfund payable, net	349	1,396	2,165
Insurance claims payable	-	-	-
Landfill closure costs payable	-	(40,000)	-
Unearned revenue	627	17,139	22,770
Customer deposits	-	-	4,327
OPEB liability	377	2,097	1,322
Compensated absences	(40,170)	(11,617)	2,374
Total adjustments	<u>4,364,691</u>	<u>925,795</u>	<u>934,719</u>
Net cash provided by (used in) operating activities	\$ <u><u>6,537,922</u></u>	\$ <u><u>2,281,681</u></u>	\$ <u><u>4,441,304</u></u>

The accompanying notes to financial statements are an integral part of these statements.

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$ <u>35,610</u>	\$ <u>(1,555,609)</u>	\$ <u>5,515,703</u>	\$ <u>(75,741)</u>
11,353	157,953	322,573	27,600
1,313,085	640,375	7,255,927	-
215,331	(8,957)	977,456	(557,332)
42	2,537	5,411	(69,613)
-	(1,951)	(7,973)	(2,455)
(3,846)	11,239	42,580	-
136,537	149	136,424	(26,565)
248	17,857	19,137	981
-	-	2,466	-
70	4,678	8,658	(42,070)
-	-	-	(498,999)
-	-	(40,000)	-
-	23,968	64,504	15
-	16,634	20,961	-
(98)	19,417	23,115	-
(3,815)	743	(52,485)	(854)
<u>1,668,907</u>	<u>884,642</u>	<u>8,778,754</u>	<u>(1,169,292)</u>
\$ <u><u>1,704,517</u></u>	\$ <u><u>(670,967)</u></u>	\$ <u><u>14,294,457</u></u>	\$ <u><u>(1,245,033)</u></u>

CITY OF KEY WEST, FLORIDA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
September 30, 2014

ASSETS:

Cash and cash equivalents	\$ 5,689,354
Investments, at fair value:	
Equity securities	77,664,851
Corporate and foreign bonds, and bond funds	23,868,805
Alternative investments	10,196,502
U.S. government securities	3,999,645
Municipal obligations	1,588,784
Real estate	4,260,000
Collateralized mortgage obligations	166,887
Receivables:	
Interest and dividends	292,211
State contributions	727,859
Employee contributions	27,185
Proceeds from securities sold	<u>188,506</u>
Total assets	<u><u>128,670,589</u></u>

LIABILITIES:

Accounts payable and accrued expenses	124,592
Payable for securities purchased	271,958
Prepaid city contributions	<u>123,203</u>
Total liabilities	<u><u>519,753</u></u>

NET POSITION:

Held in trust for employees' pension benefits	\$ <u><u>128,150,836</u></u>
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The accompanying notes to financial statements are an integral part of these statements.

CITY OF KEY WEST, FLORIDA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Year Ended September 30, 2014

ADDITIONS:

Contributions:	
Employer	\$ 3,895,287
Members	1,419,219
State police and fire	727,859
	<hr/>
Total contributions	6,042,365

Investment earnings:

Net appreciation (depreciation) in fair value of investments	9,926,629
Interest and dividends	3,302,652
	<hr/>

Total investment earnings 13,229,281

Less: Investment expenses 681,725

Net investment earnings 12,547,556

Total additions 18,589,921

DEDUCTIONS:

Benefits paid	6,246,109
Administrative expenses	251,679
Contributions refunded	80,335
	<hr/>

Total deductions 6,578,123

Changes in net position 12,011,798

NET POSITION, October 1 (as restated, Note 16) 116,139,038

NET POSITION, September 30 \$ 128,150,836

The accompanying notes to financial statements are an integral part of these statements.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

1. Summary of Significant Accounting Policies

The City of Key West, Florida (the "City") is a municipal corporation incorporated in 1828. The City operates under a commission-manager form of government. The City provides services authorized by its charter, including public safety, public welfare, public improvements, planning and zoning, transportation, recreation, and general administrative services. The City complies with Accounting Principles Generally Accepted in the United States of America and those standards promulgated by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

In defining the City for financial reporting purposes, management has considered all potential component units. Component units are generally legally separate entities for which the primary government (the City) is financially accountable. A primary government is financially accountable for the potential component unit if it appoints a voting majority of the unit's governing board and is able to impose its will upon the potential component unit, or there is a possibility for the potential component unit to provide specific financial benefits or impose specific financial burdens on the primary government. Section B briefly reviews each potential component unit addressed in defining the City's reporting entity.

B. Individual Component Unit Disclosures

Discretely Presented Component Unit:

The Housing Authority of the City of Key West, Florida (KWHa or the Authority) was created by Florida Statute Chapter 421 and by resolution of the City in 1938. The primary purpose of KWHa is to provide affordable housing to low income, elderly and disabled families in Key West. Programs are administered through the Department of Housing and Urban Development. The Authority's Board, appointed by the City Commission as required by statute, has full administrative responsibilities. The City provides approximately \$ 468,000 of free sewer, solid waste and stormwater services annually to substantially all public housing facilities within the city limits. Except for these services and certain debt guarantees (Note 12), the City has no other obligations to KWHa. KWHa is considered a component unit of the City and is presented discretely in these financial statements. Financial information presented herein regarding KWHa reflects a December 31, 2013 year-end. Further information regarding KWHa, their financial statements, and their operations may be obtained by contacting them directly at: The Housing Authority of the City of Key West, Florida, 1400 Kennedy Drive, Key West, Florida 33045.

Blended Component Unit:

There are no presented blended component units for the City.

Other Organizations:

The Utility Board of the City of Key West, Florida, or Keys Energy Services, is an independent utility board created by Florida Statute Chapter 21 to manage, operate, and maintain the electric utility servicing the citizens of Key West and the Lower Keys. The Board is elected by the voters of the community. In accordance with bond resolution requirements, the City annually receives a return from the system, a sum equal to the greater of (a) \$ 200,000 (adjusted annually for changes in the Consumer Price Index) or (b) one percent (1%) of the gross revenues derived from sales of electricity at retail. For the fiscal year ended September 30, 2014, the City received payment of approximately \$ 419,000. Keys Energy Services is not considered a component unit of the City.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

1. Summary of Significant Accounting Policies (continued)

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined. Revenues are considered to be "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, OPEB liabilities, and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the government's sewer, solid waste functions and various other functions of the government, if applicable. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

1. Summary of Significant Accounting Policies (continued)

Amounts reported as program revenue include: 1) charges to customers or applicants for goods, services, or privileges provided, rental income, licenses and permits, and fines and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The City recognizes as operating revenue the portion of impact fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the costs of sales and services, administration expenses, and provision for depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Community Development Office Fund, a special revenue fund, accounts for proceeds and disbursements of housing, economic, and urban development grants. This fund is managed by The Housing Authority of the City of Key West, Florida under a contractual agreement. This fund has been determined by management to be a major fund.

The Gas Tax Fund, a special revenue fund, accounts for county and state gasoline tax revenue sharing, and other grant funding, designated for the capital improvements of streets and sidewalks and other transportation needs of the City. This fund has been determined by management to be a major fund.

The Infrastructure Surtax Fund, a capital projects fund, accounts for the local government discretionary sales surtax, used for the development of infrastructure, acquisition of land, or protection of natural resources.

The Capital Projects Fund was established to account for financial resources expended on acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds. Currently, the fund has accumulated sufficient assets, through transfers from the infrastructure surtax fund, to continue the process of designing and constructing the new City Administration Building.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

1. Summary of Significant Accounting Policies (continued)

The City reports the following major proprietary funds:

The Sanitary Sewer System Fund accounts for the activities of the City's sewer treatment plant, sewage pumping stations and collection system.

The Solid Waste Fund accounts for the activities of the City's solid waste collection and disposal system.

The Key West Bight Fund accounts for the operations of the area known as the Key West Bight, which includes marina service, restaurants, and retail shops.

The Stormwater Fund accounts for the operation of the City stormwater collection process.

Additionally, the City reports the following fund types:

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditures for specified purposes. These funds include the Law Enforcement Trust, Fort Taylor, Affordable Housing Escrow, Bahama Village, Navy Pier Payments Funds, and Caroline Street.

Enterprise Funds - These funds are used to account for operations that are (1) financed primarily through user charges or (2) where the City has decided that the determination of net position is appropriate. These Funds include Garrison Bight and Transit System.

Internal Service Fund - This fund is used to account for goods or services provided by one department to other departments of the City on a cost measurement basis, in particular, the City's Insurance Fund.

Pension Trust Funds - These funds are used to account for assets held by the City in a trustee capacity as an agent of the Pension Trust Board. Pension trust funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. These funds include Police Officers and Firefighters Retirement Plan and the General Employees Retirement Plan.

E. Budgets and Budgetary Accounting

Florida Statutes require that all city governments prepare, adopt and execute an annual budget for such funds as may be required by law or by sound financial practices and generally accepted accounting principles. Accordingly, the City has established budgetary procedures.

The City adopts an operating budget on a generally accepted accounting principles basis for all governmental and proprietary funds except as noted below. All appropriations lapse at the end of the fiscal year. The City is not legally required to, and does not, adopt budgets for the pension funds nor does it adopt a budget for the Community Development Office Fund.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

1. Summary of Significant Accounting Policies (continued)

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances are recorded at the time a purchase offer or other commitment is entered into. Encumbrances outstanding at year-end represent the estimated amount of expenditures which would result if unperformed purchase orders and other commitments at year-end are completed. Encumbrances lapse at year-end; however, the City generally intends to honor purchase orders and other commitments in process. As a result, encumbrances outstanding at year-end are re-appropriated in the next fiscal year and are therefore presented as committed or assigned fund balance for the subsequent year.

The legal level of control is at the major category level; i.e., personal services, operating, capital, debt service, aid to private organizations and transfers.

Budgetary Process:

Certain procedures are followed in establishing the budgetary data reflected in the financial statements:

Not later than 60 days prior to the end of the fiscal year, the City Manager submits to the Commission a proposed operating budget for the fiscal year commencing October 1. The budget is prepared by fund and major category (personal service, operating, capital, debt service, aid to private organizations and transfers) and includes the proposed expenditures and the means of financing them.

Two public hearings are conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of a resolution, unless an extension of time is authorized by the Florida Department of Revenue. The budget resolution grants the City Manager discretion to effect certain budget changes as follows:

- The City Manager may increase the total fund budget by an amount not to exceed \$ 20,000. Beyond that, the City Commission must approve the increase by resolution.
- The City Manager may make unlimited transfers within a category within a fund.
- The City Manager may make transfers among categories up to \$ 20,000. Beyond that, the City Commission must approve the transfers by resolution.
- Any of the above actions must maintain a balanced budget.

The City Commission through the resolution process can amend the budget for any amount.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

1. Summary of Significant Accounting Policies (continued)

The Navy Pier Payments Fund reports operating expenditures in excess of appropriations of \$ 139,824 due to additional cash outflow reclassifications subsequent to the budgetary period. Sufficient revenues and fund balance existed to cover these expenditures. The Capital Projects Fund reports personal services expenditures in excess of appropriations of \$ 4,760 due to a retroactive salary increase for an engineering position. Sufficient budget existed in the capital outlay category to cover these expenditures. The Gas Tax Fund reports operating expenditures in excess of appropriations of \$ 213,533 because projects that were considered capital in nature, during the budget process, were later determined to be operating, during the capital assets review process. Sufficient budget existed in the capital outlay category to cover these expenditures.

F. Deposits and Investments

Cash and cash equivalents are defined as demand deposits, money market accounts and other short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the government, as well as its component unit, are generally carried at estimated fair value, which is based on quoted market prices and other pricing models. Unrealized gains and losses in estimated fair value are recognized.

G. Receivables and Payables

The City of Key West recognizes receivables in its various funds based on the accounting basis required for that fund. Allowances are provided for possible uncollectible accounts.

During the course of operations, transactions occur which result in amounts owed to a particular fund by another fund, other than for goods provided or services rendered. These receivables and payables are due within a year and are classified as "interfund receivables/payables" on the balance sheet.

Non-current portions of interfund loans receivable/payable are reported as advances. Advances receivable in the governmental funds are reported as nonspendable fund balance, which indicates that the amounts reserved do not constitute expendable available resources and are therefore not available for appropriation.

H. Prepaid Items

Prepays are recorded as assets when the initial payment is made. Each asset is then charged off against operations in the period benefited. These amounts are reported as nonspendable fund balance in the governmental fund financial statements.

I. Inventories

Inventories are valued at cost, using the first-in/first-out (FIFO) method. Inventories for governmental and proprietary fund types are accounted for using the consumption method, wherein all inventories are maintained by perpetual records, expensed when used and adjusted by an annual physical count. These amounts are reported as nonspendable fund balance in the governmental fund financial statements.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

1. Summary of Significant Accounting Policies (continued)

J. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Impact fees also are classified as restricted due to statutory limitations on their usage. Other accounts are restricted by local ordinance or other regulatory requirements, including monies set aside for future landfill long-term closure costs.

K. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, machinery, equipment and furniture, and infrastructure assets (e.g., roads, drainage improvements, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 1,000 and an estimated useful life in excess of two years. All assets are depreciated using the straight-line method of depreciation. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repair that does not add to the value of the asset or materially extend asset life is not capitalized. The estimated useful lives of the City's capital assets are as follows:

Buildings and improvements	10-30 years
Machinery, equipment, and furniture	3-10 years
Infrastructure	30-50 years

Major outlays for capital assets and improvements are capitalized as construction progresses. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. There was no capitalized interest during the year.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is deferred charge on refunding reported in the proprietary funds and government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

1. Summary of Significant Accounting Policies (continued)

M. Compensated Absences

Under terms of civil service regulations, labor contracts, and administrative policy, regular full-time and permanent employees are granted vacation and sick leave in varying amounts, which may be accumulated and paid upon separation from City service. Vacation time accrues at 10 to 20 days per year depending on years of service. Up to 240 hours of vacation time may be accumulated. Sick leave may be accumulated at a rate of 12 days per year up to a maximum of 720 hours. Both types of leave are payable at pay rates in effect at the date of separation. Hours paid vary based upon longevity and are in accordance with union contracts. The City reports the liability for compensated absences in the applicable governmental or business-type activities column in the government-wide financial statements when earned. Expenditures for compensated absences are recorded in the governmental funds only for employees who had terminated their employment as of the end of the fiscal year. In the case of proprietary fund financial statements, vested or accumulated vacation and sick leave, both current and non-current, is recorded as an expense and liability of the relevant proprietary fund as the benefits accrue to employees. No liability is recorded for non-vesting rights to personal leave.

N. Long-Term Obligations

In the government-wide financial statements and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Long-term debt is recognized as a liability in the governmental fund statements when due or when resources have been accumulated in the debt service fund for payment early in the following year. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Discounts and premiums on revenue bonds payable within the proprietary funds are amortized using the interest method over the life of the bonds. Bond discounts and premiums are presented as an adjustment of the outstanding amount of bonds payable.

O. Net Position/Fund Balance

Net position in the government-wide and proprietary funds is categorized as net investment in capital assets; restricted or unrestricted. Net investment in capital assets is the difference between the cost of capital assets, less accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets plus unspent bond proceeds.

Restricted consists of net position with constraints placed on their use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted indicates that portion of net position that is available to fund future operations.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

1. Summary of Significant Accounting Policies (continued)

The City follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement requires that governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted into cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and note receivable, as well as property acquired for resale.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making. The City Commission is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Resources accumulated pursuant to stabilization arrangements are reported in this category.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commission or through resolution by the Commission authorizing this responsibility to the City Manager. The City Commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally can only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned: This classification includes the residual fund balance for the General Fund. This classification represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

1. Summary of Significant Accounting Policies (continued)

P. Minimum Fund Balance Policy

The City's policy is to maintain an adequate General Fund balance to meet seasonal shortfalls in cash flows and reduce the susceptibility to emergency and unanticipated expenditures and/or revenue shortfalls. The City Commission has adopted a policy that requires the City to maintain unassigned fund balance equivalent to a minimum ranging from 20% to 25% of the subsequent year's budgeted operating expenditures and transfers out. In 2014, the minimum fund balance required by the City Commission at the close of the fiscal year ranges from approximately \$ 9,100,000 to \$ 11,400,000; therefore, unassigned fund balance is within the prescribed limits.

Q. Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

R. Date of Management Review

Subsequent events were evaluated by management through March 31, 2015, which is the date the financial statements were available to be issued.

2. Deposits and Investments

A. Deposits

GASB Statement No. 40, *Deposit and Investment Risk Disclosures* requires governments to disclose deposits and investments exposed to custodial credit risk. For deposits, this is the risk that, in the event of the failure of a depository financial institution, a government may not be able to recover deposits nor be able to recover collateral securities that are in the possession of an outside party.

The City's deposits must be placed with banks and savings and loans which are qualified as public depositories under Chapter 280, Florida Statutes. Monies deposited in amounts greater than the insurance coverage are covered by the participation of the bank in the Florida Security for Public Deposits Act. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name.

At September 30, 2014, the carrying amount of the City's deposits was \$ 10,179,842, with a bank balance of \$ 10,425,474. Included in the carrying amount of deposits was approximately \$ 4,500 cash on hand.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

2. Deposits and Investments (continued)

B. Investments

As of September 30, 2014, the carrying value of the City's cash, cash equivalents and investments, was as follows:

	<u>Cash</u>	<u>Cash Equivalents</u>	<u>Investments</u>	<u>Total</u>
Cash, cash equivalents and investments	\$ 10,179,842	\$ 15,777,947	\$ 77,435,575	\$ 103,393,364
Restricted cash, cash equivalents, and investments	-	-	840,842	840,842
	<u>\$ 10,179,842</u>	<u>\$ 15,777,947</u>	<u>\$ 78,276,417</u>	<u>\$ 104,234,206</u>

As of September 30, 2014, the City's investment maturities and credit ratings were as follows:

	<u>Market Value</u>	<u>Investment Maturities (in Years)</u>			<u>S & P Credit Rating</u>
		<u>Less than 1</u>	<u>1-5</u>	<u>Over 5</u>	
U.S. Government and Government Sponsored Entity Bonds/Notes	\$ 63,405,930	\$ 3,961,692	\$ 59,444,238	\$ -	AA+
Certificates of Deposit	100,000	100,000		-	Not Rated
Money Market					
Mutual Funds	171,913	171,913	-	-	AAAm
Municipal Obligations	6,159,280	250,388	5,908,892	-	AA
Commercial Paper	8,611,207	8,611,207	-	-	A-1 or A-1+
State Investment Pool:					
Florida Prime	<u>15,606,034</u>	<u>15,606,034</u>	<u>-</u>	<u>-</u>	AAAm
	<u>\$ 94,054,364</u>	<u>\$ 28,701,234</u>	<u>\$ 65,353,130</u>	<u>\$ -</u>	

As of September 30, 2014, the City's investments are distributed among funds as follows:

	<u>Cash Equivalents</u>	<u>Investments</u>
Governmental Funds:		
General Fund	\$ 2,558,607	\$ 12,677,363
Community Development Office Fund	-	100,000
Gas Tax Fund	164,279	813,968
Infrastructure Surtax Fund	2,541,706	12,593,620
Capital Projects Fund	3,108,561	15,402,268
Nonmajor Governmental Funds	<u>781,603</u>	<u>3,872,680</u>
	<u>9,154,756</u>	<u>45,459,899</u>

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

2. Deposits and Investments (continued)

	Cash Equivalents	Investments
Enterprise Funds:		
Sanitary Sewer System	1,920,214	9,514,258
Solid Waste	1,374,764	6,811,665
Key West Bight	1,622,251	8,037,911
Stormwater	451,895	2,239,044
Nonmajor Enterprise Funds	<u>364,031</u>	<u>1,803,697</u>
	<u>5,733,155</u>	<u>28,406,575</u>
Internal Service Fund	<u>890,036</u>	<u>4,409,943</u>
Total	\$ <u>15,777,947</u>	\$ <u>78,276,417</u>

Interest rate risk - To the extent possible, the City's investment policy limits the investment maturities of current operating funds to no longer than twenty-four months. Investments of bond reserves, construction funds and other non-operating funds shall not exceed five years. The investment policy also provides maturity limitations by investment type. The investments at September 30, 2014 meet the City's investment policy restrictions.

Credit risk - The City's investment policy limits risk by restricting authorized investments to the following: Florida Local Government Surplus Funds (SBA), direct obligations of the United States or its agencies and instrumentalities, interest bearing time deposits or savings accounts, repurchase agreements, commercial paper, bankers' acceptances, state and/or local government taxable and/or tax-exempt debt, mutual funds and intergovernmental investment pools. The policy requires that investments in federal instrumentality debt be backed by the full faith and credit of the U.S. government; commercial paper and bankers' acceptances be rated A-1 by Standard & Poor's (S&P); state and/or local government debt be rated at least AA by S&P and mutual funds be rated AAm or better by S&P. At September 30, 2014, the City's portfolio rating is in compliance with its investment policy.

Concentration of credit risk - The City's investment policy establishes limitations on portfolio composition, both by investment type and by issuer, at original cost, in order to control concentration of credit risk. The policy provides the following maximum limits of the portfolio, in addition to limits in any one issuer of the portfolio invested:

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

2. Deposits and Investments (continued)

Investment Type:	Portfolio Maximum	Limits on Individual Issuer
Florida Local Government Surplus Fund (SBA)	100%	-
U.S. Government Securities - Treasuries	100%	-
U.S. Government Agencies Federal Instrumentalities - U.S.	50%	25%
Government Sponsored Agencies	80%	40%
Certificates of Deposit	50%	25%
Repurchase Agreements	50%	25%
Commercial Paper	25%	15%
Bankers' Acceptances	25%	15%
State and/or Local Government Debt	20%	-
Money Market Mutual Funds	50%	25%
Intergovernmental Investment Pool	25%	-

At September 30, 2014, the City's investment portfolio, excluding pension funds and funds related to the issuance of debt, is as follows:

Issue:	Percent of Investment Portfolio
U.S. Government Securities - Treasuries	48.6%
Federal Instrumentalities - U.S. Government Sponsored Agencies	18.8%
Florida Local Government Surplus Funds (SBA)	16.6%
Commercial Paper	9.2%
State and/or Local Government Debt (Municipal Obligations)	6.5%
Money Market Mutual Funds	0.2%
Certificates of Deposit	0.1%

GASB Statement 40 requires disclosure when the percentage is 5% or more in any one issuer. The investments in the Federal Home Loan Mortgage Corporation (Freddie Mac) are 7.70% (approximately \$ 7,234,000), the Federal Home Loan Bank (FHLB) are 5.61% (approximately \$ 5,273,000), and the Federal National Mortgage Association (Fannie Mae) are 5.52% (approximately \$ 5,190,000). Given the restriction to the highest rating, the additional concentration is not viewed to be an additional risk by the City.

Custodial credit risk - The City's investment policy requires execution of a third-party custodial safekeeping agreement for all purchased securities and requires that securities be held in the City's name. As of September 30, 2014, all of the City's investments are held in a bank's trust department in the City's name, nominee registration.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

2. Deposits and Investments (continued)

Foreign credit risk – For an investment, foreign credit risk is the risk that fluctuations in currency exchange rates may affect transactions conducted in currencies other than U.S. dollars and the carrying value of foreign investments. The City is not exposed to foreign credit risk.

C. Investments - Pension Plans

As of September 30, 2014, the City's pension plans had the following investments:

	General Employees Retirement Plan	Police Officers and Firefighter: Retirement Plan
Equity Securities	\$ 26,963,477	\$ 50,701,374
Corporate and Foreign Bonds, and Bond Funds	11,603,489	12,265,316
Alternative Investments	4,896,296	5,300,206
U.S. Government Securities	1,491,171	2,508,474
Municipal Obligations	587,462	1,001,322
Collateralized Mortgage Obligations	166,887	-
Real Estate	-	4,260,000
	<u>\$ 45,708,782</u>	<u>\$ 76,036,692</u>

As of September 30, 2014, the Plan's investment maturities and credit ratings were as follows:

General Employees Retirement Plan:

	Market Value	Investment Maturities (in Years)				S & P Credit Rating
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Government Securities - Bonds and Notes	\$ 662,520	\$ -	\$ 572,120	\$ 90,400	\$ -	Aaa**
U.S. Government Securities - Mortgage/Asset Backed	828,651	-	73,720	34,889	720,042	Not Rated
Municipal Obligations	587,462	-	-	135,458	452,004	AAA through AA-
Collateralized Mortgage Obligations	166,887	-	-	-	166,887	Aaa**
Corporate and Foreign Bonds*	<u>11,603,489</u>	<u>2,710,688</u>	<u>3,486,439</u>	<u>4,334,097</u>	<u>1,072,265</u>	AAA through BBB
	<u>\$ 13,849,009</u>	<u>\$ 2,710,688</u>	<u>\$ 4,132,279</u>	<u>\$ 4,594,844</u>	<u>\$ 2,411,198</u>	

* Includes \$ 620,895 which is rated BBB-, \$ 411,398 which is rated BBB and \$ 1,784,565 which is rated BBB+. All other investments within this category are rated amongst the "A" rating.

** Not rated by S & P; therefore, provided by Moody's credit rating.

The General Employees' Pension Plan includes \$ 2,062,130 (money market fund - AAAM) in cash equivalents with a maturity of less than 3 months.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

2. Deposits and Investments (continued)

Police Officers and Firefighters Retirement Plan:

	Market Value	Investment Maturities (in Years)				S & P Credit Rating
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Government Securities *	\$ 2,508,474	\$ -	\$ 44,100	\$ 2,248,186	\$ 216,188	Not Rated
Corporate and Foreign Bonds, and Bond Funds	12,265,316	252,952	3,660,440	7,406,588	945,336	AAA through B**
Municipal Obligations	1,001,322	-	-	80,271	921,051	AAA through B**
	<u>\$ 15,775,112</u>	<u>\$ 252,952</u>	<u>\$ 3,704,540</u>	<u>\$ 9,735,045</u>	<u>\$ 2,082,575</u>	

* Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not have purchase limitations.

** Includes \$ 3,937,046 rated amongst the "B" rating group, and \$ 415,520 are not rated.

Interest rate risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. The larger the duration of a portfolio, the greater its price sensitivity to the changes in interest rates. Information about sensitivity of the fair value of the Plans' investments to market interest rate fluctuations are provided in the tables previously presented.

Credit risk - Credit risk is the risk that an investment portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plans' policies utilize portfolio diversification in order to control this risk. Information about the portfolio ratings by investment type is provided in the tables previously presented.

Concentration credit risk - The investment policies of the Plans contain limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. GASB Statement 40 requires disclosure when the percentage is 5% or more in any one issuer. At September 30, 2014, the General Employees Retirement Plan had investments with American Core Realty Fund, LLC amounting to approximately 10.7% or \$ 4,900,000 of the total Plan's investments. The Police Officers and Firefighters Retirement Plan had no total investments in any one issuer that represent 5% or more of the Plan's total investments.

Custodial credit risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Plans' investment policy requires securities, with the exception of certain alternative investments and real estate, to be registered in the Plans' name and held with a third party custodian.

Foreign credit risk - For an investment, foreign credit risk is the risk that fluctuations in currency exchange rates may affect transactions conducted in currencies other than U.S. dollars and the carrying value of foreign investments. The Plans are not exposed to foreign credit risk.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

2. Deposits and Investments (continued)

D. Component Unit:

Deposits - Demand and time deposits classified as cash are subject to FDIC coverage and insured in accordance with Florida Statute 280, which established the multiple financial institution collateral pool. At December 31, 2013, the Authority's book balance of cash was \$ 4,515,344 and the bank balance was \$ 4,578,822.

As of December 31, 2013, cash is reported as follows:

Cash - unrestricted	\$ 3,273,580
Cash - restricted	<u>1,241,764</u>
Total	<u>\$ 4,515,344</u>

In addition, the component unit's pension plan deposits amounting to \$ 404,255 (\$ 404,568 bank balance) are fully insured by the FDIC and collateralized.

Investments - The component unit invests excess cash in state and local government securities (SLGS). SLGS are issued directly by the United States Treasury. The component unit invests in demand deposit securities that are one day certificates of indebtedness. The component unit is not exposed to any significant risks related to foreign currency risk, interest rate risk, or credit risk. Investments (restricted) as of December 31, 2013, approximate their fair value at \$ 1,347,511.

The investments held by the component unit's Pension Trust Fund (the "Plan") are stated at fair value. The financial institution's accounts are insured by Securities Investor Protection Corporation (SIPC). The concerned financial institution has also obtained additional protection for the remaining net position balance.

As of December 31, 2013, the Plan had the following investments:

Equity Mutual Funds:	
Vanguard Index TR 500 Port Mutual Fund*(1)	\$ 2,506,073
Vanguard Total Intl Stock Index*(1)	928,035
Fixed Income Mutual Funds:	
PIMCO All Asset Fund*(1)	1,014,817
PIMCO Income Fund-Ins*(1)	643,634
PIMCO Investment Grd Corp-IN*(1)	569,871
PIMCO Total Return Fund-Inst*(1)	550,575
Money Market:	
Goldman Sach Fin Sq Tr*	<u>425</u>
	<u>\$ 6,213,430</u>

* Investment maturity is less than one year.

(1) Investment subject to concentration credit risk.

Interest rate risk - The Plan does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

3. Receivables and Deferred Inflows of Resources

Concentration credit risk - The Plan had six investments in two organizations that exceeded five percent of its net plan assets at year-end and noted above.

Receivables at September 30, 2014 consist of the following:

Receivable Type:	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Fiduciary	Total
Interest and dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 292,211	\$ 292,211
Accounts	333,294	6,483	-	4,527,941	1,198,798	-	6,066,516
Mortgages	-	2,446,343	-	-	-	-	2,446,343
Intergovernmental	651,653	393,651	765,349	614,059	-	727,859	3,152,571
Proceeds from securities sold	-	-	-	-	-	188,506	188,506
Other	-	-	-	-	-	27,185	27,185
Gross receivables	<u>984,947</u>	<u>2,846,477</u>	<u>765,349</u>	<u>5,142,000</u>	<u>1,198,798</u>	<u>1,235,761</u>	<u>12,173,332</u>
Less allowance for uncollectible	<u>-</u>	<u>1,116,818</u>	<u>-</u>	<u>2,349,414</u>	<u>-</u>	<u>-</u>	<u>3,466,232</u>
Net receivables	<u>\$ 984,947</u>	<u>\$ 1,729,659</u>	<u>\$ 765,349</u>	<u>\$ 2,792,586</u>	<u>\$ 1,198,798</u>	<u>\$ 1,235,761</u>	<u>\$ 8,707,100</u>

As of September 30, 2014, deferred inflows of resources is comprised of the items as follows:

Intergovernmental:		
Department of Homeland Security - FEMA	\$	143,893
State of Florida Department of Transportation		108,713
State of Florida Department of Children and Families		15,427
South Florida Workforce Investment Board		<u>1,880</u>
	\$	<u>269,913</u>

Property taxes are levied November 1st on property valued as of the previous 1st of January. The Tax Collector of Monroe County, Florida, bills and collects property taxes on behalf of the City. The tax rate, to finance general governmental services for the fiscal year ended September 30, 2014, was 2.7976 per \$ 1,000 of assessed taxable property value. The final taxable value amounted to \$ 5,289,800,696. Property tax revenues are recognized when they become available. Available means 1) when due, or past due and receivable within the current period, and 2) collected within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Taxes relating to the current budget and collected within 60 days after the fiscal year end are recognized as revenue currently. Property taxes are due for payment on March 31st and become delinquent on April 1st. At September 30, 2014, there were no material property tax receivables.

Interest and dividends receivable consists of earnings on investments earned but not received at the end of the year. General Fund accounts receivable consist mainly of rents and transportation (cruise ships) revenues. The enterprise funds reflect customer accounts receivable for goods and services rendered. Internal Service Fund accounts receivable balance consists of excess claims paid but receivable from insurance carriers. Intergovernmental receivable consists primarily of Federal, state and local grants; various state shared revenues; and state contributions to the Police Officers and Firefighters retirement plan.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

3. Receivables and Deferred Inflows of Resources (continued)

The Community Development Office Special Revenue Fund exists to account for grant revenues available to finance the development of the City's economic environment. Mortgage receivables under these programs are presented in more detail below. The allowance for uncollectible accounts of \$ 1,116,818 shown below is related to grant provisions allowing for contractual forgiveness of repayment.

Detailed information on Community Development Office Fund mortgages receivable appears below:

Frederick Douglas Square Project (HODAG)	\$ 2,233,636
Homebuyer Assistance Program	139,633
Mayor's Revolving Loan Fund (low interest)	<u>73,074</u>
Gross mortgages receivable	2,446,343
Less allowance for uncollectible mortgages	<u>1,116,818</u>
Net mortgages receivable	\$ <u><u>1,329,525</u></u>

Note receivable - During the year, the City entered into a promissory note with an entity in exchange for building improvements on a property to be leased by the City to this entity. The note bears interest at the prime rate as determined by the 1-year LIBOR plus 1% (1.57% at September 30, 2014) until the note matures in August 2034. At September 30, 2014 the balance of this note receivable was \$ 1,985,764, and is reflected in the Key West Bight Fund.

COMPONENT UNIT:

Accounts receivable represent amounts due from tenants (dwelling rents) of \$ 30,449, net of allowance for uncollectibles of \$ 8,338. Intergovernmental receivables of \$ 1,289,075 represent amounts due from the Federal and other governments.

4. Capital Assets

Capital asset activity for fiscal year ended September 30, 2014 is as follows:

	Beginning Balance	Increases	(Decreases)	CIP/ Adjustments Increases (Decreases)	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 55,899,880	\$ -	\$ -	\$ -	\$ 55,899,880
Construction in progress	<u>3,235,608</u>	<u>7,290,642</u>	<u>-</u>	<u>(365,465)</u>	<u>10,160,785</u>
Total capital assets, not being depreciated	<u>59,135,488</u>	<u>7,290,642</u>	<u>-</u>	<u>(365,465)</u>	<u>66,060,665</u>
Capital assets, being depreciated:					
Buildings and improvements	18,044,615	-	(39,461)	-	18,005,154
Machinery, equipment and furniture	20,856,780	2,060,793	(1,977,774)	-	20,939,799
Infrastructure	<u>46,825,032</u>	<u>2,245,732</u>	<u>(352,871)</u>	<u>365,465</u>	<u>49,083,358</u>

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

4. Capital Assets (continued)

	Beginning Balance	Increases	(Decreases)	CIP/ Adjustments Increases (Decreases)	Ending Balance
Total capital assets, being depreciated	85,726,427	4,306,525	(2,370,106)	365,465	88,028,311
Less accumulated depreciation for:					
Buildings and improvements	6,186,617	427,280	(37,781)	-	6,576,116
Machinery, equipment and furniture	15,726,939	1,521,563	(1,958,136)	-	15,290,366
Infrastructure	24,020,929	1,645,280	(333,464)	-	25,332,745
Total accumulated depreciation	45,934,485	3,594,123	(2,329,381)	-	47,199,227
Total capital assets, being depreciated, net	39,791,942	712,402	(40,725)	365,465	40,829,084
Governmental activities capital assets, net	\$ 98,927,430	\$ 8,003,044	\$ (40,725)	\$ -	\$ 106,889,749
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 18,681,034	\$ -	\$ -	\$ -	\$ 18,681,034
Construction in progress	9,478,650	5,645,918	-	(4,086,986)	11,037,582
Total capital assets, not being depreciated	28,159,684	5,645,918	-	(4,086,986)	29,718,616
Capital assets, being depreciated:					
Buildings and improvements	45,797,340	-	-	-	45,797,340
Infrastructure	155,436,570	154,051	(32,066)	4,086,986	159,645,541
Machinery, equipment and furniture	16,916,312	184,005	(654,982)	-	16,445,335
Total capital assets, being depreciated	218,150,222	338,056	(687,048)	4,086,986	221,888,216
Less accumulated depreciation for:					
Buildings and improvements	26,708,655	1,683,766	-	-	28,392,421
Infrastructure	56,152,085	5,117,786	(30,909)	-	61,238,962
Machinery, equipment and furniture	15,366,209	454,375	(650,002)	-	15,170,582
Total accumulated depreciation	98,226,949	7,255,927	(680,911)	-	104,801,965
Total capital assets, being depreciated, net	119,923,273	(6,917,871)	(6,137)	4,086,986	117,086,251
Business-type activities capital assets, net	\$ 148,082,957	\$ (1,271,953)	\$ (6,137)	\$ -	\$ 146,804,867

Total depreciation expense for the current fiscal year amounted to \$ 10,850,050. The estimated useful lives of the City's capital assets are as follows:

Buildings and improvements	10-30 years
Machinery, equipment and furniture	3-10 years
Infrastructure	30-50 years

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

4. Capital Assets (continued)

For the year ended September 30, 2014, depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,839,356
Public safety	992,987
Transportation	445,933
Culture and recreation	315,630
Human services	<u>217</u>
Total depreciation expense - governmental activities	\$ <u><u>3,594,123</u></u>
Business-type activities:	
Sanitary sewer system	\$ 4,042,984
Stormwater	1,313,085
Key West Bight	789,107
Solid waste	470,376
Garrison Bight	351,275
Transit system	<u>289,100</u>
Total depreciation expense - business-type activities	\$ <u><u>7,255,927</u></u>

COMPONENT UNIT:

The following summarizes capital assets from The Housing Authority of the City of Key West, Florida's proprietary fund at December 31, 2013:

Building and improvements	\$ 65,807,405
Machinery, equipment, and furniture	1,329,854
Infrastructure	<u>1,167,753</u>
	68,305,012
Less accumulated depreciation	<u>26,355,518</u>
	41,949,494
Land	10,748,552
Construction in progress	<u>466,285</u>
Net capital assets	\$ <u><u>53,164,331</u></u>

Total depreciation expense for the current fiscal year amounted to \$ 1,342,450. The estimated useful lives of the Authority's capital assets are as follows:

Buildings and improvements	15-40 years
Machinery, equipment, and furniture	5-10 years
Infrastructure	30-50 years

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

5. Restricted Assets

The Sanitary Sewer System has restricted assets of \$ 540,141 that are restricted by specific provisions of bond ordinances. The Solid Waste Fund has restricted assets of \$ 103,431 and \$ 197,270 as part of its landfill post closure care requirements and impact fee usage restrictions, respectively. Assets so designated are identified as restricted assets on the balance sheet and statement of net position, as applicable.

Restricted assets of the component unit consists of bank accounts that have been established in order to ensure the availability of funds to repay tenant security deposits, pay housing assistance payments to landlords and accounts established for certain escrow purposes in connection with certain debt issues.

6. Pension Plans

General Employees Retirement Plan and Police Officers and Firefighters Retirement Plan:

Plan descriptions - The City contributes to two single-employer defined benefit pension plans: the General Employees Retirement Plan and the Police Officers and Firefighters Retirement Plan. Each plan provides retirement, disability, and death benefits to plan members and beneficiaries. Part II of the Code of Ordinances, Title I (Administration), Section 5 (Pension) assigns the sole and exclusive administration of and the responsibility for the proper effective operation of the retirement plans to the Board of Trustees of each retirement plan. All changes recommended by the board are subject to City Commission approval. The Police Officers and Firefighters retirement board issues a publicly available report that includes financial statements and required supplementary information. This financial report may be obtained by writing to Pension Plan Administrator, Post Office Box 1409, Key West, Florida 33041-1409.

Summary of significant accounting policies - The financial statements of the plans are prepared using the accrual basis of accounting. The Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plans are recognized when due and the Employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan investments are reported at their estimated fair value. Fair value is defined as the amount the plan would realize from a current sale to a willing buyer and is based on available market values. These retirement plans do not have long-term contracts for contributions.

Funding policy and annual pension cost - The Board of Trustees make plan amendment recommendations to the City Commission for approval. Employees' contribution rates are established through collective bargaining agreements. The City's contribution rate is determined annually through an actuarial evaluation. The Police Officers and Firefighters Retirement Plan also receives contributions from the State of Florida. The City received \$ 727,859 from the State that was generated from the insurance premium tax as part of the required funding for the Police and Firefighters Retirement Plan and recorded revenues and expenditures in the General Fund, as appropriate. The City's annual pension cost for the year ended September 30, 2014 and related information for the plans are provided herein.

The City has issued audited stand-alone financial statements for the Police Officers and Firefighters Retirement Plan. The provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, have been implemented by the Police Officers and Firefighters Retirement Plan in its fiscal year ended September 30, 2014 stand-alone report.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

6. Pension Plans (continued)

Employee membership data at October 1, 2013 was as follows:

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan
Inactive employees:		
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	136	116
Deferred Retirement option plan participants	7	-
Active plan participants	<u>240</u>	<u>147</u>
Total	<u><u>383</u></u>	<u><u>263</u></u>

For the year ended September 30, 2014, the retirement plans contribution rates are as follows:

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan
Contribution rates:		
City	6.4%	29.6%
State	0.0%	5.2%
Plan members	6.0%	7.0%

The General Fund is typically used to liquidate the annual net pension obligations of the City.

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan
Annual Required Contribution (ARC)	\$ 635,941	\$ 3,496,584
Interest on net pension obligation (asset)	(233,844)	(41,245)
Adjustments to ARC	<u>266,489</u>	<u>49,993</u>
Annual pension cost	668,586	3,505,332
City and state contributions	<u>(919,864)</u>	<u>(3,496,584)</u>

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

6. Pension Plans (continued)

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan
(Increase) decrease in net pension obligation (asset)	(251,278)	8,748
Net pension obligation (asset), beginning of year	<u>(3,117,922)</u>	<u>(549,927)</u>
Net pension obligation (asset), end of year	\$ <u><u>(3,369,200)</u></u>	\$ <u><u>(541,179)</u></u>

For the year ended September 30, 2014, the contribution information is as follows:

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan
Actuarial valuation date	10/01/2013	10/01/2013
Actuarial cost method	Aggregate *	Entry age normal
Amortization method	N/A	Layered amortization
Remaining amortization period	N/A	6 - 30 years
Equivalent single amortization period	N/A	25.734 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return	7.50%	7.50%
Projected salary increases	3.75%-6.00%	4.50%
Includes inflation at	3.00%	3.50%
Cost-of-living adjustment	None	None
Changes since last valuation	**	None

* Because the aggregate cost method does not identify or separately amortize unfunded actuarial accrued liabilities, information about funded status and funding progress is presented using the entry age actuarial cost method to serve as a surrogate for the funded status and funding progress of the plan.

** Assumption changes – 2013: Investment return assumption updated to 7.5% compounded annually, net of investment; withdrawal, salary increase retirement rates updated. Plan benefits remain unchanged as of September 30, 2014.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

6. Pension Plans (continued)

The following is trend information for both Retirement Plans.

Three-Year Trend Information:

General Employees Retirement Plan :

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
09/30/12	\$ 870,173	101%	\$ (3,145,635)
09/30/13	\$ 1,014,954	97%	\$ (3,117,922)
09/30/14	\$ 668,586	138%	\$ (3,369,200)

Police Officers and Firefighters Retirement Plan :

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
09/30/12	\$ 3,220,999	100%	\$ (556,555)
09/30/13	\$ 3,474,728	100%	\$ (549,927)
09/30/14	\$ 3,505,332	100%	\$ (541,179)

Schedule of Funding Progress:

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. An analysis of funding progress (the last plan year valuation date) is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded/ (Overfunded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
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General Employees Retirement Plan (dollars in thousands) :

10/01/13	\$ 42,291	\$ 41,994	\$ (297)	100.7%	\$ 11,033	-2.7%
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Police Officers and Firefighters Retirement Plan (dollars in thousands) :

10/01/13	\$ 59,092	\$ 83,580	\$ 24,488	70.7%	\$ 10,051	243.6%
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An aggregate net pension asset has been recorded in the government-wide statements in accordance with the net pension valuations amounting to \$ 3,910,379.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

6. Pension Plans (continued)

The City does not issue audited stand-alone financial statements for the General Employees Retirement Plan. Therefore, the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* have been incorporated to this Comprehensive Annual Financial Report in the paragraphs below and Required Supplementary Information section.

Investments:

Investment policy - The General Employees Retirement Plan policy regarding the allocation of invested assets is established by its Board of Trustees. The investment policy may be amended by the Board by a majority vote of its trustees. It is the policy of the Board of Trustees to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. Overall asset allocation targets are reviewed on an annual basis. The following is the adopted asset allocation policy as of September 30, 2014:

Asset Class/ Investment Category	Target Allocation
Equity Securities and Similar Funds:	
Domestic	50.00%
International	10.00%
Fixed Income and Similar Funds:	
Domestic	25.00%
International	5.00%
Real Estate	10.00%
Total	100.00%

Concentrations - Governmental entities need to disclose the concentration of credit risk with a single issuer. If 5.00% or more of the total assets of the portfolio are invested with one issuer, an additional disclosure is required. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from the concentration of credit risk disclosure requirements. At September 30, 2014, the General Employees Retirement Plan had investments with American Core Realty Fund, LLC amounting to approximately 10.7% or \$ 4,900,000 of the total Plan's investments.

Rate of return- For the year ended September 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.86%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability (Asset) of the City's General Employees Retirement Plan:

The components of the net pension liability (asset) at September 30, 2014, were as follows:

Total pension liability	\$ 44,029,771
Plan fiduciary net position	<u>(47,883,789)</u>
Net position liability (asset)	<u>\$ (3,854,018)</u>
Plan fiduciary net position as a percentage of the total pension liability	108.75%

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

6. Pension Plans (continued)

Actuarial assumptions - The total pension liability was determined by an actuarial valuation dated October 1, 2013, using the following actuarial assumptions:

Measurement date	September 30, 2014
Actuarial cost method	Entry age normal
Asset valuation method	Market value
Inflation	3.00%
Salary increases	3.75% - 6.00%
Investment rate of return	7.50%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality basis:	<p>Healthy Members: RP-2000 Combined Mortality Table was used with separate rates for males and females and fully generational morality improvements projected with Scale BB to each future decrement date.</p> <p>Disabled Members: RP-2000 Combined Disabled Mortality Table was used with separate rates for males and females and fully generational mortality improvements projected with Scale BB to each future decrement date.</p>
Cost-of-living increases:	None

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the General Employees Retirement Plan target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Class/ Investment Category	Long-Term Expected Real Rate of Return
Equity Securities and Similar Funds:	
Domestic	7.50% per annum
International	8.50% per annum
Fixed Income and Similar Funds:	
Domestic	3.50% per annum
International	4.50% per annum
Real Estate	5.50% per annum

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

6. Pension Plans (continued)

Discount rate - The discount rate used to measure the total pension liability was 7.50% per annum. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the General Employees Retirement Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate - The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.50%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1.00% lower (6.50%) or 1.00% higher (8.50%) than the current rate:

	<u>1.0% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1.0% Increase (8.50%)</u>
Management and General Employees'			
Net Pension Liability (Asset)	\$ 1,101,444	\$ (3,854,018)	\$ (8,000,580)

Deferred Retirement Option Plan (the "DROP")

A member is eligible to participate in the management and general employees Deferred Retirement Option Plan (the "DROP") upon meeting the eligibility for normal or early retirement. Participation in the DROP must be exercised within the first thirty (30) years of employment; provided, however, that participation in the DROP, when combined with participation in the retirement plan as an active member may not exceed thirty (30) years. The maximum period of participation in the DROP is five (5) years. An employee's account in the DROP program shall be credited with interest based upon the actual earnings of the retirement fund. No payment may be made from the DROP until the employee actually separates from service with the City. The value of the DROP balance at September 30, 2014 was \$ 741,602.

COMPONENT UNIT:

Retirement System for Employees of The Housing Authority of the City of Key West, Florida

Plan description - The Authority maintains a single-employer defined benefit pension plan (the "Plan") administered by a Board of Trustees. Retirement, disability, and death benefits are provided to plan members and beneficiaries. KWAH holds the authority to establish and amend benefit provisions. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to The Housing Authority of the City of Key West, Florida, 1400 Kennedy Drive, Key West, Florida 33045.

Summary of significant accounting policies - The Plan uses the accrual basis of accounting. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan investments are reported at their estimated fair value. The investments are valued at the last reported sales price. The Plan does not have any long-term contracts for contributions.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

6. Pension Plans (continued)

Funding policy and annual pension cost - The contribution requirement of the KWHAs Plan is approved annually by the KWHAs Board of Commissioners. Plan members shall not make any contributions to the Plan. KWHAs is required to contribute at an actuarially determined rate; the current rate is 15.90% of covered payroll. KWHAs annual pension cost for the year ended December 31, 2013 and related information for the Plan is provided herein.

For the year ended December 31, 2013, the retirement plan costs are as follows:

	Housing Authority Employees Retirement Plan
Contribution rate - KWHAs	15.90%
Annual KWHAs pension cost	\$ 445,769
KWHAs contribution made	\$ 456,928

For the year ended December 31, 2013, the contribution information is as follows:

Annual Required Contribution (ARC)	\$ 443,829
Interest on net pension obligation (asset)	(17,582)
Adjustments to ARC	19,522
Annual pension cost	445,769
KWHAs contributions	(456,928)
(Increase) decrease in net pension obligation (asset)	(11,159)
Net pension obligation (asset), beginning of year	(219,776)
Net pension obligation (asset), end of year	\$ (230,935)
Actuarial valuation date	01/01/13
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	23 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	4.50%
Includes inflation at	3.50%
Cost-of-living adjustment	1.50%
Change since last valuation	None

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

6. Pension Plans (continued)

Three-Year Trend Information:

Housing Authority Employee Retirement Plan:

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/10	\$ 472,739	100%	\$ (194,196)
12/31/11	\$ 455,852	106%	\$ (219,776)
12/31/12	\$ 445,769	103%	\$ (230,935)

Schedule of Funding Progress:

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. An analysis of funding progress (the last three plan year's valuation dates) is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded/ (Overfunded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
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Housing Authority Employees Retirement Plan (dollars in thousands) :

01/01/11	\$ 4,831	\$ 6,825	\$ 1,994	70.8%	\$ 3,140	63.5%
01/01/12	\$ 5,211	\$ 7,191	\$ 1,980	72.5%	\$ 2,873	68.9%
01/01/13	\$ 5,571	\$ 7,730	\$ 2,159	72.1%	\$ 2,784	77.6%

7. Other Post-Employment Health Care Benefits

GASB Statement No. 45: *Accounting for Financial Reporting by Employers for Postemployment Benefits Other than Pensions* ("OPEB"), establishes accounting standards for postretirement benefits. The statement does not require funding of OPEB expense, but any difference between the annual required contribution ("ARC") and the amount funded during the year is required to be recorded in the employer's Statement of Net Position as an increase (or decrease) in the cumulative OPEB obligation. Recognition of the liability accumulated for prior years is phased in over 30 years, commencing with the 2009 liability.

Plan Description and Funding Policy

Employees who retire from the City and their dependents are eligible to continue to participate ("single employer plan") in the City's health insurance plan (medical and prescription) currently offered through the City at the "blended" employee group rate, which is determined annually by the City. The retiree must continue to meet all participation requirements and pay all applicable premiums by the specified due date. Life insurance and dental benefits are portable and the retiree must pay premiums to the carrier directly. As of September 30, 2014, there are 25 participating retirees in the group health program.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

7. Other Post-Employment Health Care Benefits (continued)

The City provides no funding for any portion of the premiums after retirement. However, the City recognizes that there is an "implicit subsidy" arising as a result of the blended rate premium since retiree health care costs, on average, are higher than active employee healthcare costs. The plan is not accounted for as a trust fund and an irrevocable trust has not been established to fund this plan. The plan does not issue a separate financial report. It is the City's current policy to fund the plan on a "pay-as-you-go" basis.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the City's annual OPEB cost for the year, the amount contributed, and the change in the net OPEB obligation.

Required Contribution rates:	
Employer	Pay-as-you-go
Plan members	N/A
Annual required contribution	\$ 876,425
Interest on net OPEB obligation	99,085
Adjustment to annual required contribution	<u>(137,743)</u>
Annual OPEB cost	837,767
Estimated employer contributions	<u>(310,517)</u>
Increase in net OPEB obligation	527,250
Net OPEB obligation, beginning of year	<u>2,477,126</u>
Net OPEB obligation, end of year	<u>\$ 3,004,376</u>

The City's annual OPEB cost, the percentage of annual OPEB costs contributed to the Plan, the net OPEB obligation and trend information are as follows:

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
09/30/12	\$ 707,926	19%	\$ 1,962,201
09/30/13	\$ 822,176	37%	\$ 2,477,126
09/30/14	\$ 837,767	37%	\$ 3,004,376

Other post-employment benefit obligations attributable to governmental activities are generally liquidated by the General Fund or by the appropriate proprietary fund for business-type activities.

Funding Status and Funding Progress:

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. An analysis of funding progress (the last plan year valuation date) is as follows:

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

7. Other Post-Employment Health Care Benefits (continued)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
09/30/13	\$ -	\$ 6,878,156	\$ 6,878,156	0.0%	\$ 24,417,348	28.2%

The actuarial valuation for the calculation of OPEB involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The City has not contributed assets to the plan at this time.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the Plan members at that point. Actuarial calculations reflect a long term perspective and employ methods and assumptions that are designed to reduce the short term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions used for the valuation are as follows:

Measurement Date:	September 30, 2013
Actuarial Cost Method:	Projected Unit Credit (level dollar)
Amortized Method:	Level dollar, open
Remaining Amortized Period:	30 years
Asset Valuation Method:	Not applicable
Actuarial Assumptions:	
Return on plan assets	Not applicable
Salary scale	Not applicable
Discount Rate	4.00%
Inflation Rate	7.50% in 2013 graded down to 4.50% in 2019.
Changes since last valuation	Mortality updated to 2013 tables.

8. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. All assets and income of Internal Revenue Code Section 457 deferred compensation plan are held in trust, custodial accounts, or annuity contracts, for the exclusive benefit of the participants and their beneficiaries. Private corporations under contracts with the City administer the assets of the City's plan. Consequently, those plan assets and liabilities are not recorded on the City's financial statements.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

9. Risk Management

General Liability, Property, Worker Compensation and Other Claims - The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On February 1, 1978, the City established a self-insurance program for workers' compensation. The Insurance Programs Fund, an internal service fund, was created to account for and finance uninsured risks of loss. On October 1, 1988, the Insurance Programs Fund was expanded to include the City's liability and property insurance. During fiscal year 2014, a total of approximately \$ 1,745,000 was incurred/paid in benefits and claims. In fiscal year 2014, the fund provided coverage up to \$ 325,000 for each worker's compensation claim, \$ 100,000 per occurrence for public officials, general liability, and employee benefits liability, \$ 25,000 per claim for crime coverage, \$ 100,000 for each auto/general liability claim, and \$ 25,000 for each property claim other than wind and flood. In general, the City purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded the commercial coverage in any of the past three years.

Self-insurance retention, per occurrence, for wind is 5% of building and/or contents with a \$ 35,000 minimum. Self-insurance retention, per occurrence, for flood is 5% or excess amount as covered by the National Flood Insurance Program with a \$ 5,000,000 annual limit.

For additional information, the reader should review the certificates of insurances which are available at the City upon request.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

All funds of the City participate in the program and make payments to the Insurance Programs Fund based on estimates of the amounts needed to pay prior and current year claims, establish reserves for future claims and provide for administrative costs of the program. Interfund premiums are based upon the insured funds' number of employees and value of facilities and are reported as quasi-external interfund transactions. A liability for workers' compensation, general liability and property claims of \$ 2,286,000 is reported in the fund at September 30, 2014. This amount has been discounted to present value at an assumed investment rate of 3.0%, and an approximate 75% confidence level. Changes in the fund's workers compensation, general liability and property claims on an undiscounted basis during the past three years are as follows (in thousands):

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Claims Incurred</u>	<u>Estimated Prior Claims</u>	<u>Claims Paid and Adjustments</u>	<u>Ending Liability</u>
2012	\$ 3,941	\$ 844	\$ 1,545	\$ (2,590)	\$ 3,740
2013	\$ 3,740	\$ 825	\$ (2,765)	\$ 1,067	\$ 2,867
2014	\$ 2,867	\$ 1,100	\$ 581	\$ (2,138)	\$ 2,410

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

9. Risk Management (continued)

Health Insurance - The Insurance Programs Fund is also used to fund monthly health insurance premiums. In April 1997, the City converted from a flexible funded health insurance program to a fully insured pay-as-you-go program. The Insurance Programs Fund receives its health insurance contributions from bi-weekly payroll deductions and employer contributions, which are sufficient to meet its monthly premium requirements.

10. Accrued Compensated Absences

At September 30, 2014, compensated absences are based on actual earned hours times pay rates in effect at year-end. These amounts are recorded in the governmental fund financial statements for those employees who have terminated their employment as of the end of the fiscal year. In the proprietary fund financial statements, compensated absences are fully recorded and classified as current and long-term based on their expected repayment schedule. The Statement of Net Position, at the government-wide financial statements level, reports the liability when earned for both governmental activities and business-type activities. These amounts are then classified as current or long-term depending upon expected repayment terms. Total accrual at September 30, 2014 was \$ 3,827,355 for all funds.

The General Fund is used to liquidate the liability for compensated absences for those governmental activities.

11. Construction And Other Significant Commitments

A. Construction Commitments

The following table presents the approximate significant construction commitments outstanding at September 30, 2014:

	<u>Estimated Remaining Construction Commitment</u>
Infrastructure Surtax Fund:	
Truman Waterfront Development	\$ 598,000
City Software Replacement	\$ 541,000
Gas Tax Fund:	
Street Repaving	\$ 504,000
Capital Projects Fund:	
New City Hall	\$ 491,000

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

11. Construction And Other Significant Commitments (continued)

	<u>Estimated Remaining Construction Commitment</u>
Solid Waste Fund:	
Southernmost Waste Project	\$ 568,000
Key West Bight Fund:	
Key West Bight Traffic Circle	\$ 380,000
Transit System Fund:	
Bus Farm Facility	\$ 5,960,000
Transit Facility Equipment	270,000

B. Landfill Closure

The City had previously received notification from the Florida Department of Environmental Protection (FDEP) that its landfill had been considered officially closed as of April 26, 1996. For the current year, for FDEP financial assurance costs estimate purposes, the City chose to update the maximum cost estimate by using an inflationary factor of 1.02%. By using this factor, the City reported to the FDEP an inflation adjusted long-term care cost estimate of \$ 192,101 for the remaining 2 years. In accordance with the landfill long-term care escrow agreement between the City of Key West and the Florida Department of Environmental Protection, the City has set aside in a restricted cash account with the amount of \$ 103,431 as of September 30, 2014, which represents more than the required annual amount of \$ 96,050.

Based on historical information the City amortizes approximately \$ 40,000 per year in landfill closure cost payables (\$ 63,333 balance as of September 30, 2014) of which \$ 23,333 remain as a future long-term payable at September 30, 2014.

C. Operating Leases

The City currently has an operating lease agreement for the use of office space through December 2016, with a provision for early termination on any date on or before February 2016. The current agreement calls for rent payments of approximately \$ 13 per square foot per year, increased by 3.0% annually, plus common area maintenance. Based on total office space available under the agreement, the current monthly installments are approximately \$ 38,000. The total rental expense in connection with this agreement in 2014 was approximately \$ 462,000. In addition, the City leases office equipment under various agreements at approximately \$ 4,100 per month, plus excess usage charges, through February 2015 and at lesser amounts thereafter until August 2017.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

11. Construction And Other Significant Commitments (continued)

Minimum estimated base future rental payments relative to these agreements at September 30, 2014 are approximately as follows:

Year Ending September 30,	
2015	\$ 488,000
2016	\$ 491,000
2017	\$ 110,000
Thereafter	\$ NONE

12. Long-Term Debt and Liabilities

The following is a summary of changes in long-term liabilities. Bonds, notes, insurance claims and compensated absences have changed as follows:

	Balance October 1, 2013	Additions	Amortization/ Retirements	Balance September 30, 2014	Due Within One Year
Governmental Activities:					
Note payable	\$ 878,521	\$ -	\$ 147,059	\$ 731,462	\$ 147,059
Insurance claims payable	2,785,000	-	498,999	2,286,001	726,846
Compensated absences	3,379,324	2,581,663	2,358,136	3,602,851	2,232,734
OPEB liability	2,278,190	504,135	-	2,782,325	-
Other	1,116,818	-	-	1,116,818	-
Total governmental activities	<u>\$ 10,437,853</u>	<u>\$ 3,085,798</u>	<u>\$ 3,004,194</u>	<u>\$ 10,519,457</u>	<u>\$ 3,106,639</u>
Business-Type Activities:					
Marina Refunding Revenue Note, Series 2009	\$ 6,637,330	\$ -	\$ 1,240,273	\$ 5,397,057	\$ 1,281,571
Sewer System Revenue Bonds, Series 2012	4,065,000	-	415,000	3,650,000	425,000
Sewer System Refunding Revenue Bonds, Series 2013 *	19,698,500	-	-	19,698,500	1,287,574
Note payable, State Revolving Loan	2,699,700	-	280,360	2,419,340	289,603
Landfillclosure costs payable	103,333	-	40,000	63,333	40,000
Compensated absences	276,989	195,364	247,849	224,504	144,744
OPEB liability	198,936	23,115	-	222,051	-
Other	438,639	20,961	-	459,600	-
Total business-type activities	<u>\$ 34,118,427</u>	<u>\$ 239,440</u>	<u>\$ 2,223,482</u>	<u>\$ 32,134,385</u>	<u>\$ 3,468,492</u>
Total long-term debt and liabilities	<u>\$ 44,556,280</u>	<u>\$ 3,325,238</u>	<u>\$ 5,227,676</u>	<u>\$ 42,653,842</u>	<u>\$ 6,575,131</u>

* Zero (\$0) retirements made by the City during the year ended September 30, 2014 because the payment to the financial institution was made prior to the due date of October 1, 2013.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

12. Long-Term Debt and Liabilities (continued)

General Obligation:

Promissory Note:

A promissory note was issued for the acquisition and rehabilitation of affordable housing in the City's redevelopment district. The note is to be repaid and secured by tax increment revenue which derives from such area. Issued at not to exceed \$ 2,500,000, and fully drawn down, on October 1, 2003, the City converted the then revolving facility to a term loan at a fixed interest rate of 2.56%. This note is payable in varying annual installments of principal and interest not exceeding \$ 165,853 through its maturity on October 1, 2018.

The general obligation promissory note debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 147,059	\$ 18,794	\$ 165,853
2016	147,059	15,035	162,094
2017	147,059	11,276	158,335
2018	147,059	7,518	154,577
2019	143,226	3,759	146,985
	<u>\$ 731,462</u>	<u>\$ 56,382</u>	<u>\$ 787,844</u>

Revenue Obligation:

Marina Refunding Revenue Note, Series 2009:

In December 2009, the City entered into an agreement with a bank for the issuance of the Capital Improvement/Marina Refunding Revenue Note, Series 2009 in the amount of \$ 9,142,446. The proceeds from this indebtedness were used to currently refund the then outstanding Tax-Exempt Capital Improvement/Marina Revenue Bonds, Series 1997. The then bonds were originally issued to finance the acquisition of an approximately 8.8 acre site commonly known as the Key West Bight for the public purpose of constructing marina and related facilities, public parks and conservation areas thereon.

The Capital Improvement/Marina Refunding Revenue Note, Series 2009 is payable solely and secured by a pledge of the net revenue of the facilities and the half-cent sales tax collections. Interest is due semiannually, at a rate of 3.37%, with principal due annually at installments ranging from approximately \$ 1,281,600 to \$ 1,419,800 through maturity in December 2017.

Sewer System Revenue Bonds, Series 2012:

In February 2012, the City entered into agreement with a financial institution for the issuance of the Sewer System Revenue Bonds, Series 2012 in the amount of \$ 4,065,000. The proceeds from this indebtedness were used to repay a grant from the State of Florida Department of Emergency Management, the proceeds of which were used to finance the costs of certain capital improvements to the City's sewer system. Interest is due semiannually, at a rate of 2.07%, with principal due annually at installments ranging from \$ 425,000 to \$ 490,000 through maturity on October 1, 2021. These bonds were issued on a parity basis with the City's Sewer System Revenue Bonds, currently outstanding or issued hereafter.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

12. Long-Term Debt and Liabilities (continued)

Sewer System Refunding Revenue Bonds, Series 2013:

In August 2013, the City issued the 2013 Series Sewer System Refunding Revenue Bonds at a par amount of \$ 19,963,753. The Bonds bear interest at 2.65% and mature in October 2026. Interest is payable semi-annually on the first date of April and October. The proceeds, along with existing sinking fund reserves, were used to currently refund the then outstanding balance of the 2003 Series Sewer System Refunding Revenue Bonds. The principal and interest are secured by a pledge of net revenues of the sewer system.

Revenue bonds debt service requirements to maturity, including interest are as follows:

Fiscal Year	Marina Refunding Revenue Note, Series 2009		Sewer System Revenue Bonds, Series 2012		Sewer System Refunding Revenue Bonds, Series 2013		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2015	\$ 1,281,571	\$ 160,286	\$ 425,000	\$ 71,156	\$ 1,287,574	\$ 505,184	\$ 3,730,771
2016	1,323,085	116,398	435,000	62,255	1,327,144	470,539	3,734,421
2017	1,372,585	70,976	440,000	53,199	1,360,626	434,926	3,732,312
2018	1,419,816	23,924	450,000	43,988	1,391,845	398,455	3,728,028
2019	-	-	460,000	34,569	1,430,742	361,056	2,286,367
2020 - 2024	-	-	1,440,000	45,126	7,756,876	1,207,033	10,449,035
2025 - 2027	-	-	-	-	5,143,693	207,377	5,351,070
	<u>\$ 5,397,057</u>	<u>\$ 371,584</u>	<u>\$ 3,650,000</u>	<u>\$ 310,293</u>	<u>\$ 19,698,500</u>	<u>\$ 3,584,570</u>	<u>\$ 33,012,004</u>

Continuing disclosure - In accordance with authorizing Ordinances and to comply with the continuing disclosure requirements of the Securities and Exchange Commission, the following disclosure is provided for the Sanitary Sewer System Refunding Revenue Bonds. At September 30, 2014, the City is in compliance with all reporting and disclosure requirements. Required disclosures as of September 30, 2014, are presented below:

Sanitary Sewer System:

- A. During the year, there has been no material modification to, or termination of, the Navy agreement which determines the contractual obligation of the Navy as it relates to the Sewer System.
- B. During the year, the City did not issue any additional parity obligations and/or subordinated indebtedness.
- C. Current and proposed rate schedules:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Base charge	\$ 23.23	\$ 22.77	\$ 22.77
Commodity charge	\$ 4.60	\$ 4.51	\$ 4.51

- D. Required historical debt service coverage information is presented in the statistical section of this report (Table 16).

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

12. Long-Term Debt and Liabilities (continued)

Note Payable – State of Florida, Department of Environmental Protection – State Revolving Loan:

In connection with the City's Advanced Wastewater Treatment Facility, the City qualified for the Florida State Revolving Loan Fund program in tandem with the Sewer System Revenue Bonds. Total principal draws amounted to (at present value) \$ 5,172,648 through fiscal year 2002, which agreed to the maximum amount available under this agreement. The City pays annual installments of \$ 366,367 through February 2022, with interest payable at a 3.28% fixed rate. This facility is in junior position to the Sewer System Revenue Bonds, Series 2012 and 2013.

State revolving loan debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 289,603	\$ 76,764	\$ 366,367
2016	299,150	67,217	366,367
2017	309,012	57,355	366,367
2018	319,200	47,167	366,367
2019	329,723	36,644	366,367
2020-2022	872,652	43,266	915,918
	<u>\$ 2,419,340</u>	<u>\$ 328,413</u>	<u>\$ 2,747,753</u>

Conduit debt obligation - The City through the Local Redevelopment Agency entered into an agreement to purchase certain housing facilities from the U.S. Navy known as "Poinciana Complex." This agreement was subsequently assigned to The Housing Authority of the City of Key West, Florida (the "Authority"). The Authority entered into a first mortgage and security agreement amounting to \$ 16,000,000 under the Section 108 loan program from the Department of Housing and Urban Development to acquire the housing complex. In addition, the Authority entered into agreement with a local government agency in the principal amount of \$ 2,210,000 in order to facilitate the acquisition of the complex. The purchase closed in January 2004.

Under the \$ 16,000,000 mortgage note, the City entered into a guarantee and inter-local agreement with the Authority. The City is not liable on the note, as repayment of the note is the responsibility of the Authority and is secured by a mortgage on the housing facility. The note will be repaid from revenues generated from the operation of the development. However, the City does have the responsibility to refund any withdrawals from the debt service reserve account if the Authority cannot meet the maximum required amount within the restoration period. The City maintains recourse against the Authority. Based on these circumstances, the City considers this to be conduit debt and accordingly, it is not recorded on the City's books.

COMPONENT UNIT:

The following is a summary of changes in long-term debt and liabilities for the Authority for the year ended December 31, 2013:

	<u>Balance January 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2013</u>	<u>Due Within One Year</u>
Notes payable	\$ 7,059,545	\$ -	\$ 81,573	\$ 6,977,972	\$ 84,440
Revenue notes	24,850,262	-	921,626	23,928,636	966,767
Compensated absences	317,595	168,793	121,298	365,090	36,510
OPEB liability	92,410	9,818	-	102,228	-
Total long-term debt and liabilities	<u>\$ 32,319,812</u>	<u>\$ 178,611</u>	<u>\$ 1,124,497</u>	<u>\$ 31,373,926</u>	<u>\$ 1,087,717</u>

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

12. Long-Term Debt and Liabilities (continued)

Notes as of December 31, 2013, are comprised of the following:

Notes Payable Description:

Multifamily Housing Revenue Bond, Series 2010, in the principal amount of \$ 1,759,000. The bond is amortized over a 20-year period and bears interest at 4.56%. The bond is due in August 2030. In addition, The Authority borrowed \$ 1,636,000 (two notes) from the Monroe County Comprehensive Plan Land Authority in order to acquire the property "Washington Street." These loans do not bear interest and mature in 30 years.	\$ 3,195,698
Second mortgage note due to a governmental agency, collateralized by land, project improvements, and all other fixtures and personal property located on the land, "Home Investment Partnerships Program," payable in full in April 2018, non-interest bearing.	1,819,720
Mortgage note due to a governmental agency, collateralized by land, "Key Plaza Site B," payable in full in May 2031, non-interest bearing.	1,500,000
First mortgage note due to a governmental agency, collateralized by land, "Key Plaza Site A – Home Investment Partnerships Program," payable in full in April 2018, non-interest bearing.	382,554
First mortgage note due to a local government, collateralized by land, "Roosevelt Gardens," principal to be forgiven in \$ 20,000 increments until December 2017, non-interest bearing.	<u>80,000</u>
	\$ <u><u>6,977,972</u></u>

Revenue Notes as of December 31, 2013 are comprised of the following:

Revenue Notes Description:

First mortgage and security agreement related to its Housing Revenue Note Series 2003 in the principal amount of \$ 16,000,000 to acquire the housing complex known as "Poinciana Complex." This note is due in varying annual installments through August 2023 bearing interest at 5.28%. As noted previously, the City of Key West entered into a guarantee agreement whereby funds will be advanced if the debt service reserve cannot be restored to its maximum within its prescribed period.	\$ 11,138,000
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CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

12. Long-Term Debt and Liabilities (continued)

Multifamily Housing Revenue Notes amortized over a 25-year period and bearing interest at 4.25%. A 10-year call exists at which time the loan's interest rate will be renegotiated. If a new rate is not agreed upon, the loan will become payable and due. These notes are collateralized by the land, project improvements and property located on the land "Roosevelt Gardens." Series 2002 in the original amount of \$ 9,850,000 and Series 2003 in the original amount of \$ 2,000,000.

9,000,565

Second mortgage payable to a local government agency to facilitate the acquisition of the "Poinciana Complex", as previously discussed, and under the long-term debt and liability section of the primary government. This note is non-interest bearing and is due in January 2034. Collateralized by the land, project improvements and property located on the land.

2,210,000

Housing Revenue Bond, Series 2009, issued to a local banking institution in the principal amount of \$ 2,900,000 to demolish existing structures and construct new rental units on the site "Key Plaza Site B." Collateralized by first mortgage on land, project improvements and property located on the land; bearing interest at rates ranging from 4.00% to 4.75%. The bond is amortized over a 25-year period with a 7-year balloon.

1,580,071

\$ 23,928,636

The anticipated debt service under all agreements discussed for the component unit are as follows:

Fiscal Year	Notes Payable		Revenue Notes	
	Principal	Interest	Principal	Interest
2014	\$ 84,440	\$ 69,779	\$ 966,767	\$ 1,069,034
2015	87,440	66,778	1,012,689	1,021,733
2016	90,580	63,638	1,061,768	970,902
2017	93,866	60,352	1,113,350	916,672
2018	2,279,579	56,913	2,530,796	818,612
2019-2023	443,988	227,104	8,910,703	2,826,379
2024-2028	557,431	113,660	1,936,723	1,052,426
2029-2033	1,704,648	7,864	2,369,930	619,219
2034-2038	-	-	4,025,910	125,133
2039-2040	<u>1,636,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u><u>6,977,972</u></u>	\$ <u><u>666,088</u></u>	\$ <u><u>23,928,636</u></u>	\$ <u><u>9,420,110</u></u>

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

13. Interfund Assets and Liabilities

A summary of interfund receivable and payable balances at September 30, 2014 are as follows:

<u>Interfund Items (current)</u>	<u>Receivables</u>	<u>Payables</u>
Governmental Funds:		
General	\$ -	\$ 59,977
Gas Tax	-	838
Infrastructure Surtax	-	140
Enterprise Funds:		
Sanitary Sewer System	-	349
Solid Waste	-	1,396
Key West Bight	-	2,165
Stormwater	-	70
Nonmajor funds	-	4,678
Internal Service Fund:		
Insurance Programs	<u>69,613</u>	<u>-</u>
Totals	\$ <u><u>69,613</u></u>	\$ <u><u>69,613</u></u>

The payable balances in the various Governmental and Enterprise Funds above are results of underfunding the Insurance Programs Fund. All of the above amounts are expected to be repaid shortly after year-end from available current assets.

A summary of advances (receivables and payables) at September 30, 2014 are as follows:

<u>Advances (long-term)</u>	<u>Receivables</u>	<u>Payables</u>
Governmental Funds:		
General	\$ 1,785,896	\$ -
Enterprise Funds:		
Sanitary Sewer System	1,914,649	-
Key West Bight	120,691	-
Stormwater	-	3,700,545
Nonmajor funds	<u>-</u>	<u>120,691</u>
Totals	\$ <u><u>3,821,236</u></u>	\$ <u><u>3,821,236</u></u>

The advance in the General Fund is owed by the Stormwater Fund in connection with prior year's working capital needs. The receivable balance in the Sanitary Sewer System Fund is primarily due to long-term advances made to the Stormwater Fund in connection with construction projects. The Nonmajor Enterprise Fund, the Transit System Fund, owes the Key West Bight Fund for rents as a result of a portion of its Park-n-Ride lot built on Key West Bight property. The above amounts are repaid as excess cash flows become available in the debtor fund.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

14. Interfund Transfers

A summary of interfund transfers for the year ended September 30, 2014 is as follows:

Transfers	In	Out
Governmental Funds:		
General	\$ 5,730,019	\$ 830,701
Gas Tax	1,808,946	676,609
Infrastructure Surtax	8,929	4,168,004
Capital Projects	700,000	5,454
Nonmajor funds	621,755	37,829
Enterprise Funds:		
Sanitary Sewer System	-	1,240,429
Solid Waste	-	1,415,965
Key West Bight	-	809,081
Stormwater	1,000,000	440,918
Nonmajor funds	600,000	513,869
Internal Service Fund:		
Insurance Programs	-	330,790
Totals	\$ <u>10,469,649</u>	\$ <u>10,469,649</u>

The General Fund received \$ 4,420,262 from the Enterprise Funds for payments in lieu of taxes; \$ 725,000 from the Infrastructure Surtax Fund representing 10% of the budgeted discretionary sales surtax revenues to be used for any lawful purpose; and \$ 584,757 from various funds for the cost allocation and recovery of its services. The Gas Tax Fund received \$ 1,600,000 from the Infrastructure Surtax Fund for various infrastructure projects; and \$ 208,946 from the General Fund for various paving projects. The Infrastructure Surtax Fund received \$ 8,929 from the Law Enforcement Trust Fund to fund the Police Department boat lift. The Capital Projects Fund received \$ 700,000 from the Infrastructure Surtax Fund in connection with the Fredrick Douglass Community Center Project. The Bahama Village Fund (nonmajor fund) received its annual transfer \$ 293,136 for tax increment funding from the General Fund. The Caroline Street Fund (nonmajor fund) received its annual transfer \$ 328,619 for tax increment funding from the General Fund. The Stormwater Fund received \$ 1,000,000 from the Infrastructure Surtax Fund to supplement the Stormwater capital projects. In addition, the Transit System Fund (nonmajor fund) received \$ 600,000 from the Gas Tax Fund to subsidize transit programs/projects.

15. Contingencies

The City is a defendant in several personal injury, workers' compensation, and other litigation incidental to its routine operations. Annually, the City undergoes an actuarial study to determine the funding necessary to allow for current and future losses. The City has established a general liability account within the Insurance Internal Service Fund and has reflected its best estimates of such liabilities.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

15. Contingencies (continued)

In addition, due to land use plan and rate of growth of ordinance restrictions, from time to time the City is involved in actions for limiting the ability to use certain properties. Due to the uncertainty of the outcome, and the inability to estimate potential losses, no provision has been recorded in the financial statements.

An action was brought against the City on behalf of certain North Stock Island property owners who allege that the City's imposition of stormwater utility user fees constitutes an illegal tax. The court ruled the City cannot collect a fee, but did not determine the amount of fees to be refunded. The City has authorized an appeal once the amount of the refund is determined. In the event of an adverse outcome, the potential loss is estimated to be approximately \$ 350,000. In addition, a similar action was brought against the City by a homeowners' association; however, at this time the potential loss cannot be reasonably estimated.

Certain claims against the City have been filed by a former employee under the Florida Whistleblower's Act. The plaintiff is seeking reinstatement in addition to lost wages. Present claim is approximately \$ 350,000. A final resolution on this matter is still pending.

The City receives significant financial assistance from numerous Federal, state, and local governmental agencies in the form of grants and revenue sharing. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, if any, such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at September 30, 2014.

Estimates have been used in determining the accrual for landfill post closure care. The potential for change exists due to inflation, deflation, technology, and changes in applicable laws and regulations.

16. Restatement of Beginning Net Position

The City administers DROP programs (See Note 6). During the DROP participation period, each member's monthly retirement benefit accrues and the balance accumulates within the DROP account. Upon termination of employment at the end of the DROP period, each retired member's funds are immediately due and payable. Monthly accruals were previously expensed and accordingly recorded as a deduction on the Statement of Changes in Fiduciary Net Position. Similarly, the total amount of deferred retirement benefits that had accumulated but not yet been distributed at fiscal year-end were previously classified as a liability on the Statement of Fiduciary Net Position. According to paragraph 98 of GASB No. 67, "DROP balances, similar to other benefit payments, should be recognized as a pension plan liability only when ultimately due to the plan member." Further clarification is provided by question 37 in the GASB No. 67 implementation guide which states that "benefits generally would be considered due and payable only when they are required to be distributed to the plan member from the DROP account." As a result of the preceding, Fiduciary Fund – Financial Statements have been restated to report a liability only for benefits due but not yet distributed to members who had ended their participation in the DROP program at September 30. The cumulative effect of the restatement is as follows:

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

16. Restatement of Beginning Net Position (continued)

	<u>Police & Firefighter's Pension</u>	<u>General Employees' Pension</u>	<u>Total</u>
Net position held in trust for pension benefits, as previously reported	\$ 64,920,380	\$ 43,837,604	\$ 108,757,984
Impact of restatement	<u>6,937,417</u>	<u>443,637</u>	<u>7,381,054</u>
Net position held in trust for pension benefits, as restated	\$ <u><u>71,857,797</u></u>	\$ <u><u>44,281,241</u></u>	\$ <u><u>116,139,038</u></u>

COMPONENT UNIT:

During fiscal year 2013, the component unit implemented the provisions of GASB Statement No. 65 for the year ended December 31, 2013. As a result, the component unit's net position as of January 1, 2013 has been restated, and decreased, by \$ 531,171 to reflect the retroactive write-off of prior years' bond issuance and loan costs in the statement of net position and statement of activities.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KEY WEST, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)
ANALYSIS OF FUNDING PROGRESS -
GENERAL EMPLOYEES' PENSION TRUST FUND
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/08	\$ 35,149	\$ 32,085	\$ (3,064)	109.5%	\$ 10,982	(27.9%)
10/01/09	\$ 37,065	\$ 33,088	\$ (3,977)	112.0%	\$ 10,277	(38.7%)
10/01/10	\$ 38,582	\$ 34,789	\$ (3,793)	110.9%	\$ 9,939	(38.2%)
10/01/11	\$ 39,352	\$ 37,474	\$ (1,878)	105.0%	\$ 9,609	(19.5%)
10/01/12	\$ 39,561	\$ 38,913	\$ (648)	101.7%	\$ 9,945	(6.5%)
10/01/13	\$ 42,291	\$ 41,994	\$ (297)	100.7%	\$ 11,033	(2.7%)

CITY OF KEY WEST, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)
ANALYSIS OF FUNDING PROGRESS -
POLICE OFFICERS' AND FIREFIGHTERS' PENSION TRUST FUND
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/08	\$ 56,358	\$ 65,189	\$ 8,831	86.5%	\$ 9,293	95.0%
10/01/09	\$ 55,884	\$ 68,384	\$ 12,500	81.7%	\$ 8,738	143.1%
10/01/10	\$ 56,361	\$ 72,192	\$ 15,831	78.1%	\$ 9,681	163.5%
10/01/11	\$ 55,594	\$ 74,581	\$ 18,987	74.5%	\$ 9,645	196.9%
10/01/12	\$ 55,193	\$ 76,528	\$ 21,335	72.1%	\$ 9,634	221.5%
10/01/13	\$ 59,092	\$ 83,580	\$ 24,488	70.7%	\$ 10,051	243.6%

CITY OF KEY WEST, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)
SCHEDULES OF EMPLOYER CONTRIBUTIONS
DEFINED BENEFIT PENSION TRUST FUNDS
(In Thousands)

	Annual Required Contribution	Percentage Contributed
<u>POLICE AND FIREFIGHTERS' - FOR THE YEAR ENDED:</u>		
September 30, 2009	\$ 2,468	100%
September 30, 2010	\$ 2,548	100%
September 30, 2011	\$ 2,897	100%
September 30, 2012	\$ 3,214	100%
September 30, 2013	\$ 3,468	100%
September 30, 2014	\$ 3,497	100%
	Annual Required Contribution	Percentage Contributed
<u>GENERAL EMPLOYEES' - FOR THE YEAR ENDED:</u>		
September 30, 2009	\$ 745	170%
September 30, 2010	\$ 640	182%
September 30, 2011	\$ 684	166%
September 30, 2012	\$ 843	104%
September 30, 2013	\$ 987	100%
September 30, 2014	\$ 636	145%

CITY OF KEY WEST, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)
ANALYSIS OF FUNDING PROGRESS AND CONTRIBUTIONS-
PAY-AS-YOU-GO APPROACH
OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (OPEB)
(In Thousands)

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
* 9/30/2009	\$ -	\$ 4,183	\$ 4,183	0.0%	\$ 19,091	21.9%
9/30/2011	\$ -	\$ 5,077	\$ 5,077	0.0%	\$ 22,518	22.5%
9/30/2013	\$ -	\$ 6,878	\$ 6,878	0.0%	\$ 24,417	28.2%

* Year of GASB Statement No. 45 implementation.

Schedule of Contributions:

Fiscal Year Ended September 30,	Annual Required Contribution	Percent Contributed
2009	\$ 498	20%
2010	\$ 539	23%
2011	\$ 698	16%
2012	\$ 730	18%
2013	\$ 853	36%
2014	\$ 876	35%

CITY OF KEY WEST, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
GENERAL EMPLOYEES' PENSION TRUST FUND

	<u>2014</u>
Total pension liability	
Service cost	\$ 1,134,108
Interest	3,149,825
Differences between actual and expected experience	(795,460)
Assumption changes	1,479,338
Benefit payments, including refunds of member contributions	<u>(2,261,393)</u>
Net change in total pension liability	2,706,418
Total pension liability - beginning	41,323,353
Total pension liability - ending (A)	<u>\$ 44,029,771</u>
Plan fiduciary net position	
Contributions - employer	\$ 919,864
Contributions - member	655,206
Net investment earnings	4,431,002
Benefit payments, including refunds of member contributions	(2,261,393)
Administrative expenses	<u>(142,131)</u>
Net change in plan fiduciary net position	3,602,548
Plan fiduciary net position - beginning	44,281,241
Plan fiduciary net position - ending (B)	<u>\$ 47,883,789</u>
City's net pension liability (asset)- ending (A) - (B)	<u>\$ (3,854,018)</u>
Plan fiduciary net position as a percentage of the total pension liability	108.75%
Covered-employee payroll	\$ 11,033,246
Net pension liability (asset) as percentage of covered-employee payroll	-34.93%

Notes:

This schedule is intended to present information for ten years. However, until a full ten-year trend is compiled, the pension plan will present information for those years for which the information is available.

For the year ended September 30, 2014, the City issued stand-alone financial statements for the Police Officers and Firefighters Retirement Plan. Therefore, reporting requirements (Notes and RSI) in accordance with GASB 67 have been implemented in that stand-alone report.

CITY OF KEY WEST, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)
SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES' PENSION TRUST FUND
(In Thousands)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 636	\$ 987	\$ 843	\$ 684	\$ 640	\$ 745	\$ 894	\$ 962	\$ 1,137	\$ 1,000
Contributions in relation to the actuarially determined contribution	920	987	879	1,133	1,164	1,266	1,331	1,251	1,318	1,148
Contribution deficiency (excess)	<u>\$ (284)</u>	<u>\$ -</u>	<u>\$ (36)</u>	<u>\$ (449)</u>	<u>\$ (524)</u>	<u>\$ (521)</u>	<u>\$ (437)</u>	<u>\$ (289)</u>	<u>\$ (181)</u>	<u>\$ (148)</u>
Covered-employee payroll	\$ 11,033	\$ 9,945	\$ 9,609	\$ 9,939	\$ 10,277	\$ 10,982	\$ 11,705	\$ 10,882	\$ 10,387	\$ 9,190
Contributions as a percentage of covered - employee payroll	8.34%	9.92%	9.15%	11.40%	11.33%	11.53%	11.37%	11.50%	12.69%	12.49%

Notes to Schedule:

Valuation date:

October 1, 2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate*
Amortization method	N/A
Remaining amortization period	N/A
Equivalent single authorization period	N/A
Asset valuation method	5-year smoothed market value
Investment rate of return	7.50%
Projected salary increases	3.75% - 6.00%
Inflation	3.00%
Cost of living adjustment	None

Changes since last valuation

Assumption Changes

2013: Investment return assumption updated to 7.5% compounded annually, net of investment; withdrawal, salary increase retirement rates updated. Plan benefits remained unchanged as of September 30, 2014.

* Because the aggregate cost method does not identify or separately amortize unfunded actuarial accrued liabilities, information about funded status and funding progress is presented using the entry age actuarial cost method to serve as a surrogate for the funded status and funding progress of the plan.

Notes: For the year ended September 30, 2014, the City issued stand-alone financial statements for the Police Officers and Firefighters Retirement Plan. Therefore, reporting requirements (Notes and RSI) in accordance with GASB 67 have been implemented in that stand-alone report.

CITY OF KEY WEST, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)
SCHEDULE OF INVESTMENT RETURNS
GENERAL EMPLOYEES' PENSION TRUST FUND

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Annual money-weighted rate of return, net of investment expense	9.86%	12.27%	14.52%	(1.98%)	8.51%	7.29%	(11.18%)	15.82%	9.97%	12.16%

Annual money-weighted rate of return,
net of investment expense

Notes:

For the year ended September 30, 2014, the City issued stand-alone financial statements for the Police Officers and Firefighters Retirement Plan. Therefore, reporting requirements (Notes and RSI) in accordance with GASB 67 have been implemented in that stand-alone report.

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS OVERVIEW

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are restricted to expenditures for particular purposes as authorized by statutory or charter provisions. The City maintains six special revenue funds to track the following revenues and related expenditures:

Law Enforcement Trust Fund - To account for the proceeds from confiscated property, designated for purchases of technical equipment, and related expenditures, for the police department.

Fort Taylor Fund - To account for State of Florida shared revenues, Department of Natural Resources grants, together with donations, restricted for the acquisition and maintenance of salt ponds.

Affordable Housing Escrow Fund - To account for proceeds and disbursements associated with the acquisition, rehabilitation or any other element related to the development of affordable housing.

Bahama Village Fund - To account for proceeds and disbursements associated with the acquisition of property or establishment of community development programs within the designated redevelopment area.

Navy Pier Payments Fund - To account for lease payments held in reserve and related transportation expenditures.

Caroline Street Fund - To account for proceeds and disbursements associated with the acquisition of property or establishment of community development programs within the designated redevelopment area.

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CITY OF KEY WEST, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2014

	<u>Law Enforcement Trust Fund</u>	<u>Fort Taylor Fund</u>	<u>Special Revenue Affordable Housing Escrow Fund</u>
ASSETS:			
Cash, cash equivalents and investments	\$ 188,676	\$ 1,211,887	\$ 97,536
Receivables (net of allowance for uncollectibles):			
Intergovernmental	<u>-</u>	<u>10,394</u>	<u>-</u>
Total assets	<u><u>\$ 188,676</u></u>	<u><u>1,222,281</u></u>	<u><u>\$ 97,536</u></u>
LIABILITIES:			
Accounts payable	\$ -	\$ 6,309	\$ -
Retainage payable	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>6,309</u>	<u>-</u>
FUND BALANCES:			
Restricted for:			
Law enforcement	188,676	-	-
Natural resources	-	1,215,972	-
Housing initiatives and urban redevelopment	-	-	97,536
Transportation	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>188,676</u>	<u>1,215,972</u>	<u>97,536</u>
Total liabilities and fund balances	<u><u>\$ 188,676</u></u>	<u><u>\$ 1,222,281</u></u>	<u><u>\$ 97,536</u></u>

Funds			
Bahama Village Fund	Navy Pier Payments Fund	Caroline Street Fund	Total
\$ 804,961	\$ 1,005,538	\$ 2,074,884	\$ 5,383,482
-	-	-	10,394
\$ 804,961	\$ 1,005,538	\$ 2,074,884	\$ 5,393,876
\$ 116,968	\$ 271,975	\$ -	\$ 395,252
-	192,563	-	192,563
116,968	464,538	-	587,815
-	-	-	188,676
-	-	-	1,215,972
687,993	-	2,074,884	2,860,413
-	541,000	-	541,000
687,993	541,000	2,074,884	4,806,061
\$ 804,961	\$ 1,005,538	\$ 2,074,884	\$ 5,393,876

CITY OF KEY WEST, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	Law Enforcement Trust Fund	Fort Taylor Fund	Special Revenue Affordable Housing Escrow Fund
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	515,059	-
Charges for services	-	-	-
Fines and forfeitures	49,557	-	-
Investment earnings	1,037	3,059	409
Contributions and other	-	-	-
Total revenues	<u>50,594</u>	<u>518,118</u>	<u>409</u>
EXPENDITURES:			
Current:			
General government	-	40,537	-
Public safety	62,163	-	-
Transportation	-	-	-
Economic environment	-	-	-
Capital outlay	62,961	-	-
Debt service	-	-	-
Total expenditures	<u>125,124</u>	<u>40,537</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(74,530)</u>	<u>477,581</u>	<u>409</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	(10,515)	(5,294)	-
Total other financing sources (uses)	<u>(10,515)</u>	<u>(5,294)</u>	<u>-</u>
Net change in fund balances	(85,045)	472,287	409
FUND BALANCE, October 1	<u>273,721</u>	<u>743,685</u>	<u>97,127</u>
FUND BALANCE, September 30	<u>\$ 188,676</u>	<u>\$ 1,215,972</u>	<u>\$ 97,536</u>

Funds

Bahama Village Fund	Navy Pier Payments Fund	Caroline Street Fund	Total
\$ 328,803	\$ -	\$ 367,722	\$ 696,525
-	-	-	515,059
-	607,798	-	607,798
-	-	-	49,557
7,009	5,506	-	17,020
37	-	-	37
<u>335,849</u>	<u>613,304</u>	<u>367,722</u>	<u>1,885,996</u>
-	-	722	41,259
-	-	-	62,163
-	1,793,916	-	1,793,916
251,848	-	1,788	253,636
1,048,000	-	91,053	1,202,014
169,451	-	-	169,451
<u>1,469,299</u>	<u>1,793,916</u>	<u>93,563</u>	<u>3,522,439</u>
<u>(1,133,450)</u>	<u>(1,180,612)</u>	<u>274,159</u>	<u>(1,636,443)</u>
293,136	-	328,619	621,755
(10,380)	-	(11,640)	(37,829)
<u>282,756</u>	<u>-</u>	<u>316,979</u>	<u>583,926</u>
(850,694)	(1,180,612)	591,138	(1,052,517)
<u>1,538,687</u>	<u>1,721,612</u>	<u>1,483,746</u>	<u>5,858,578</u>
<u>\$ 687,993</u>	<u>\$ 541,000</u>	<u>\$ 2,074,884</u>	<u>\$ 4,806,061</u>

CITY OF KEY WEST, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LAW ENFORCEMENT TRUST SPECIAL REVENUE FUND
For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget
REVENUES:				
Fines and forfeitures	\$ -	\$ -	\$ 49,557	\$ 49,557
Investment earnings	1,000	1,000	1,037	37
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>50,594</u>	<u>49,594</u>
EXPENDITURES:				
Operating	124,238	105,938	47,163	58,775
Capital outlay	47,427	65,727	62,961	2,766
Aid to private organizations	10,000	15,000	15,000	-
Total expenditures	<u>181,665</u>	<u>186,665</u>	<u>125,124</u>	<u>61,541</u>
Excess (deficiency) of revenues over expenditures	<u>(180,665)</u>	<u>(185,665)</u>	<u>(74,530)</u>	<u>111,135</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(1,586)</u>	<u>(10,836)</u>	<u>(10,515)</u>	<u>321</u>
Total other financing sources (uses)	<u>(1,586)</u>	<u>(10,836)</u>	<u>(10,515)</u>	<u>321</u>
Net change in fund balance	\$ <u>(182,251)</u>	\$ <u>(196,501)</u>	(85,045)	\$ <u>111,456</u>
FUND BALANCE, October 1			<u>273,721</u>	
FUND BALANCE, September 30			\$ <u>188,676</u>	

CITY OF KEY WEST, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FORT TAYLOR SPECIAL REVENUE FUND
For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget
REVENUES:				
Intergovernmental	\$ 195,000	\$ 195,000	\$ 515,059	\$ 320,059
Investment earnings	5,000	5,000	3,059	(1,941)
Total revenues	<u>200,000</u>	<u>200,000</u>	<u>518,118</u>	<u>318,118</u>
EXPENDITURES:				
Operating	<u>60,000</u>	<u>150,359</u>	<u>40,537</u>	<u>109,822</u>
Total expenditures	<u>60,000</u>	<u>150,359</u>	<u>40,537</u>	<u>109,822</u>
Excess (deficiency) of revenue over expenditures	<u>140,000</u>	<u>49,641</u>	<u>477,581</u>	<u>427,940</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(5,294)</u>	<u>(5,294)</u>	<u>(5,294)</u>	<u>-</u>
Total other financing sources (uses)	<u>(5,294)</u>	<u>(5,294)</u>	<u>(5,294)</u>	<u>-</u>
Net change in fund balance	\$ <u>134,706</u>	\$ <u>44,347</u>	472,287	\$ <u>427,940</u>
FUND BALANCE, October 1			<u>743,685</u>	
FUND BALANCE, September 30			<u>\$ 1,215,972</u>	

CITY OF KEY WEST, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
AFFORDABLE HOUSING SPECIAL REVENUE FUND
For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final
				Budget
REVENUES:				
Investment earnings	\$ 500	\$ 500	\$ 409	\$ (91)
Total revenues	<u>500</u>	<u>500</u>	<u>409</u>	<u>(91)</u>
EXPENDITURES:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of				
revenues over				
expenditures	<u>500</u>	<u>500</u>	<u>409</u>	<u>(91)</u>
Net change in				
fund balance	\$ <u>500</u>	\$ <u>500</u>	409	\$ <u>(91)</u>
FUND BALANCE, October 1			<u>97,127</u>	
FUND BALANCE, September 30			\$ <u>97,536</u>	

CITY OF KEY WEST, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BAHAMA VILLAGE SPECIAL REVENUE FUND
For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget
REVENUES:				
Taxes	\$ 327,273	\$ 328,803	\$ 328,803	\$ -
Investment earnings	10,000	10,000	7,009	(2,991)
Contributions and other	-	-	37	37
Total revenues	<u>337,273</u>	<u>338,803</u>	<u>335,849</u>	<u>(2,954)</u>
EXPENDITURES:				
Operating	2,027	11,425	5,466	5,959
Capital outlay	-	1,073,516	1,048,000	25,516
Debt service	169,612	169,612	169,451	161
Aid to private organizations	-	843,754	246,382	597,372
Total expenditures	<u>171,639</u>	<u>2,098,307</u>	<u>1,469,299</u>	<u>629,008</u>
Excess (deficiency) of revenues over expenditures	<u>165,634</u>	<u>(1,759,504)</u>	<u>(1,133,450)</u>	<u>626,054</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	299,051	293,136	293,136	-
Transfers out	(10,380)	(10,380)	(10,380)	-
Total other financing sources (uses)	<u>288,671</u>	<u>282,756</u>	<u>282,756</u>	<u>-</u>
Net change in fund balance	\$ <u>454,305</u>	\$ <u>(1,476,748)</u>	(850,694)	\$ <u>626,054</u>
FUND BALANCE, October 1			<u>1,538,687</u>	
FUND BALANCE, September 30			\$ <u>687,993</u>	

CITY OF KEY WEST, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NAVY PIER PAYMENTS SPECIAL REVENUE FUND
For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget
REVENUES:				
Charges for services	\$ -	\$ -	\$ 607,798	\$ 607,798
Investment earnings	-	-	5,506	5,506
Total revenues	-	-	613,304	613,304
EXPENDITURES:				
Operating	-	1,654,092	1,793,916	(139,824)
Total expenditures	-	1,654,092	1,793,916	(139,824)
Excess (deficiency) of revenues over expenditures	-	(1,654,092)	(1,180,612)	473,480
OTHER FINANCING SOURCES (USES):				
Transfers in	-	573,412	-	(573,412)
Transfers out	(573,412)	(573,412)	-	573,412
Total other financing sources (uses)	(573,412)	-	-	-
Net change in fund balance	\$ (573,412)	\$ (1,654,092)	(1,180,612)	\$ 473,480
FUND BALANCE, October 1			1,721,612	
FUND BALANCE, September 30			\$ 541,000	

CITY OF KEY WEST, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAROLINE STREET SPECIAL REVENUE FUND
For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget
REVENUES:				
Taxes	\$ 366,985	\$ 368,604	\$ 367,722	\$ (882)
Investment earnings	10,000	10,000	-	(10,000)
Total revenues	<u>376,985</u>	<u>378,604</u>	<u>367,722</u>	<u>(10,882)</u>
EXPENDITURES:				
Operating	2,027	2,749	2,510	239
Capital outlay	1,350,000	2,338,496	91,053	2,247,443
Total expenditures	<u>1,352,027</u>	<u>2,341,245</u>	<u>93,563</u>	<u>2,247,682</u>
Excess (deficiency) of revenues over expenditures	<u>(975,042)</u>	<u>(1,962,641)</u>	<u>274,159</u>	<u>2,236,800</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	335,338	328,619	328,619	-
Transfers out	(11,640)	(161,312)	(11,640)	149,672
Total other financing sources (uses)	<u>323,698</u>	<u>167,307</u>	<u>316,979</u>	<u>149,672</u>
Net change in fund balance	\$ <u>(651,344)</u>	\$ <u>(1,795,334)</u>	591,138	\$ <u>2,386,472</u>
FUND BALANCE, October 1			<u>1,483,746</u>	
FUND BALANCE, September 30			<u>\$ 2,074,884</u>	

CITY OF KEY WEST, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
INFRASTRUCTURE SURTAX FUND
A CAPITAL PROJECT FUND
For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
				Budget
REVENUES:				
Taxes	\$ 7,250,000	\$ 7,250,000	\$ 7,710,624	\$ 460,624
Intergovernmental	2,822,000	3,363,033	69,316	(3,293,717)
Investment earnings	60,000	60,000	65,404	5,404
Contributions and other	90,000	90,000	90,000	-
Total revenues	<u>10,222,000</u>	<u>10,763,033</u>	<u>7,935,344</u>	<u>(2,827,689)</u>
EXPENDITURES:				
Personal Services	91,909	91,344	86,107	5,237
Operating	302,569	1,155,419	375,973	779,446
Capital outlay	11,717,552	20,975,820	3,552,497	17,423,323
Total expenditures	<u>12,112,030</u>	<u>22,222,583</u>	<u>4,014,577</u>	<u>18,208,006</u>
Excess (deficiency) of revenues over expenditures	<u>(1,890,030)</u>	<u>(11,459,550)</u>	<u>3,920,767</u>	<u>15,380,317</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	9,250	8,929	(321)
Transfers out	<u>(4,168,004)</u>	<u>(4,168,004)</u>	<u>(4,168,004)</u>	<u>-</u>
Total other financing sources (uses)	<u>(4,168,004)</u>	<u>(4,158,754)</u>	<u>(4,159,075)</u>	<u>(321)</u>
Net change in fund balance	<u>\$ (6,058,034)</u>	<u>\$ (15,618,304)</u>	<u>(238,308)</u>	<u>\$ 15,379,996</u>
FUND BALANCE, October 1			<u>16,455,207</u>	
FUND BALANCE, September 30			<u>\$ 16,216,899</u>	

CITY OF KEY WEST, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget
REVENUES:				
Investment earnings	\$ 100,000	\$ 100,000	\$ 99,378	\$ (622)
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>99,378</u>	<u>(622)</u>
EXPENDITURES:				
Personal Services	88,278	88,278	93,038	(4,760)
Capital outlay	<u>6,648,973</u>	<u>24,557,868</u>	<u>5,202,839</u>	<u>19,355,029</u>
Total expenditures	<u>6,737,251</u>	<u>24,646,146</u>	<u>5,295,877</u>	<u>19,350,269</u>
Excess (deficiency) of revenues over expenditures	<u>(6,637,251)</u>	<u>(24,546,146)</u>	<u>(5,196,499)</u>	<u>19,349,647</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	700,000	700,000	700,000	-
Transfers out	<u>(5,454)</u>	<u>(5,454)</u>	<u>(5,454)</u>	<u>-</u>
Total other financing sources (uses)	<u>694,546</u>	<u>694,546</u>	<u>694,546</u>	<u>-</u>
Net change in fund balance	<u>\$ (5,942,705)</u>	<u>\$ (23,851,600)</u>	<u>(4,501,953)</u>	<u>\$ 19,349,647</u>
FUND BALANCE, October 1			<u>23,948,028</u>	
FUND BALANCE, September 30			<u>\$ 19,446,075</u>	

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NONMAJOR ENTERPRISE FUNDS OVERVIEW

Enterprise funds are used to account for the acquisition, operation, and maintenance of governmental facilities and services which are entirely or predominantly supported by user charges. All activities necessary to provide such services are accounted for in these funds, including (but not limited to) administration, operations, maintenance, financing, and related debt service (where applicable). The significant characteristics of enterprise funds are that the accounting system must be structured to reflect whether the activity is operated at a profit or loss, similar to comparable activities in private enterprise. Thus, the reports of enterprise funds are self-contained, and creditors, legislators, or the general public can evaluate the performance of the particular municipal enterprise on the same basis as they can the performance of an investor-owned enterprise in the same industry. The City maintains six enterprise funds including the following two, which are considered nonmajor:

Garrison Bight Fund - To account for the provision of marina services to the residents of the City.

Transit System Fund - To account for the provision of mass transit services within the City limits to the residents of the City.

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CITY OF KEY WEST, FLORIDA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
September 30, 2014

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Total Nonmajor Enterprise Funds</u>
ASSETS:			
Current assets:			
Cash, cash equivalents and investments	\$ 1,624,858	\$ 763,477	\$ 2,388,335
Receivables, net of allowance for uncollectibles:			
Accounts	107,396	23,398	130,794
Intergovernmental	35,752	570,080	605,832
Prepaid expenses	5,733	1,649	7,382
Inventories	<u>-</u>	<u>23,896</u>	<u>23,896</u>
Total current assets	<u>1,773,739</u>	<u>1,382,500</u>	<u>3,156,239</u>
Noncurrent assets:			
Property, plant and equipment:			
Land	-	50,000	50,000
Buildings and improvements	707,076	4,510,598	5,217,674
Infrastructure	7,564,204	281,690	7,845,894
Machinery, equipment and furniture	529,517	5,103,528	5,633,045
Construction in progress	<u>60,722</u>	<u>2,135,996</u>	<u>2,196,718</u>
Total property, plant and equipment	8,861,519	12,081,812	20,943,331
Less accumulated depreciation	<u>4,382,168</u>	<u>8,127,168</u>	<u>12,509,336</u>
Net property, plant and equipment	<u>4,479,351</u>	<u>3,954,644</u>	<u>8,433,995</u>
Total noncurrent assets	<u>4,479,351</u>	<u>3,954,644</u>	<u>8,433,995</u>
Total assets	\$ <u><u>6,253,090</u></u>	\$ <u><u>5,337,144</u></u>	\$ <u><u>11,590,234</u></u>

	Garrison Bight	Transit System	Total Nonmajor Enterprise Funds
LIABILITIES AND NET POSITION:			
Current liabilities:			
Accounts payable	\$ 43,897	\$ 283,111	\$ 327,008
Accrued payroll and related expenses	22,019	71,601	93,620
Compensated absences	36,127	32,139	68,266
Retainage payable	-	135,160	135,160
Interfund payable	1,536	3,142	4,678
Unearned revenue	155,788	-	155,788
Total current liabilities	259,367	525,153	784,520
Noncurrent liabilities:			
Advances from other funds	-	120,691	120,691
Customer deposits	219,902	5,530	225,432
OPEB liability	28,160	95,901	124,061
Compensated absences	10,110	17,305	27,415
Total noncurrent liabilities	258,172	239,427	497,599
Total liabilities	517,539	764,580	1,282,119
NET POSITION:			
Net investment in capital assets	4,479,351	3,954,644	8,433,995
Unrestricted	1,256,200	617,920	1,874,120
Total net position	5,735,551	4,572,564	10,308,115
Total liabilities and net position	\$ 6,253,090	\$ 5,337,144	\$ 11,590,234

CITY OF KEY WEST, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended September 30, 2014

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Total Nonmajor Enterprise Funds</u>
OPERATING REVENUES:			
Charges for services	\$ 1,603,716	\$ 1,125,877	\$ 2,729,593
Total operating revenues	<u>1,603,716</u>	<u>1,125,877</u>	<u>2,729,593</u>
OPERATING EXPENSES:			
Personal services	540,010	1,534,573	2,074,583
Other operating expenses	459,411	1,110,833	1,570,244
Depreciation	<u>351,275</u>	<u>289,100</u>	<u>640,375</u>
Total operating expenses	<u>1,350,696</u>	<u>2,934,506</u>	<u>4,285,202</u>
Operating income (loss)	<u>253,020</u>	<u>(1,808,629)</u>	<u>(1,555,609)</u>
NONOPERATING REVENUES (EXPENSES):			
Grant income (operating)	131,415	1,428,523	1,559,938
Investment earnings	5,275	2,442	7,717
Other income	132,285	25,668	157,953
Interest expense	<u>-</u>	<u>(704)</u>	<u>(704)</u>
Net nonoperating revenues (expenses)	<u>268,975</u>	<u>1,455,929</u>	<u>1,724,904</u>
Income (loss) before transfers and contributions	<u>521,995</u>	<u>(352,700)</u>	<u>169,295</u>
TRANSFERS AND CONTRIBUTIONS:			
Capital contributions	-	1,023,513	1,023,513
Transfers in	-	600,000	600,000
Transfers out	<u>(212,266)</u>	<u>(301,603)</u>	<u>(513,869)</u>
Total transfers and contributions	<u>(212,266)</u>	<u>1,321,910</u>	<u>1,109,644</u>
Change in net position	309,729	969,210	1,278,939
NET POSITION, October 1	<u>5,425,822</u>	<u>3,603,354</u>	<u>9,029,176</u>
NET POSITION, September 30	<u>\$ 5,735,551</u>	<u>\$ 4,572,564</u>	<u>\$ 10,308,115</u>

CITY OF KEY WEST, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended September 30, 2014

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Total Nonmajor Enterprise Funds</u>
CASH FLOWS FROM			
OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,638,840	\$ 1,123,286	\$ 2,762,126
Cash paid to suppliers	(442,367)	(1,118,440)	(1,560,807)
Cash paid to employees	(526,799)	(1,506,582)	(2,033,381)
Other receipts	132,285	28,810	161,095
	<u>801,959</u>	<u>(1,472,926)</u>	<u>(670,967)</u>
Net cash provided by (used in) operating activities			
CASH FLOWS FROM NONCAPITAL			
FINANCING ACTIVITIES:			
Operating grants received	95,663	1,497,040	1,592,703
Repayments made on advances from other funds	-	(44,295)	(44,295)
Interest paid on advances from other funds	-	(704)	(704)
Transfers in	-	600,000	600,000
Transfers (out)	(212,266)	(301,603)	(513,869)
	<u>(116,603)</u>	<u>1,750,438</u>	<u>1,633,835</u>
Net cash provided by (used in) noncapital financing activities			
CASH FLOWS FROM CAPITAL AND			
RELATED FINANCING ACTIVITIES:			
Proceeds of capital grants and contributions*	-	1,098,854	1,098,854
Acquisition and construction of capital assets	(181,373)	(899,818)	(1,081,191)
	<u>(181,373)</u>	<u>199,036</u>	<u>17,663</u>
Net cash provided by (used in) capital and related financing activities			
CASH FLOWS FROM			
INVESTING ACTIVITIES:			
Investment earnings	5,275	2,442	7,717
	<u>5,275</u>	<u>2,442</u>	<u>7,717</u>
Net cash provided by (used in) investing activities			
Net increase (decrease) in cash, cash equivalents and investments	509,258	478,990	988,248
CASH, CASH EQUIVALENTS AND			
INVESTMENTS, October 1	<u>1,115,600</u>	<u>284,487</u>	<u>1,400,087</u>
CASH, CASH EQUIVALENTS AND			
INVESTMENTS, September 30	\$ <u><u>1,624,858</u></u>	\$ <u><u>763,477</u></u>	\$ <u><u>2,388,335</u></u>

CITY OF KEY WEST, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
(continued)
For the Year Ended September 30, 2014

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Total Nonmajor Enterprise Funds</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 253,020	\$ (1,808,629)	\$ (1,555,609)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Other nonoperating revenues	132,285	25,668	157,953
Depreciation	351,275	289,100	640,375
Decrease (increase) in assets:			
Accounts receivables, net	(6,366)	(2,591)	(8,957)
Interfund receivables, net	888	1,649	2,537
Prepaid expenses	(1,515)	(436)	(1,951)
Inventories	-	11,239	11,239
Increase (decrease) in liabilities:			
Accounts payable	18,559	(18,410)	149
Accrued payroll and related expenses	3,871	13,986	17,857
Interfund payable, net	1,536	3,142	4,678
Unearned revenue	23,968	-	23,968
Customer deposits	16,634	-	16,634
OPEB liability	3,390	16,027	19,417
Compensated absences	4,414	(3,671)	743
Total adjustments	<u>548,939</u>	<u>335,703</u>	<u>884,642</u>
Net cash provided by (used in) operating activities	<u>\$ 801,959</u>	<u>\$ (1,472,926)</u>	<u>\$ (670,967)</u>

* Capital contributions for the year ended September 30, 2014 are all associated with cash transactions.

FIDUCIARY FUNDS OVERVIEW

Fiduciary funds are used to account for assets held by the City in a trustee capacity. Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The City maintains two trust funds:

Pension Trust Funds - To account for the accumulation of resources for pension benefit payments to qualified employees. There are two funds for the City's two retirement plans—the Police Officers' and Firefighters' Retirement Plan and the General Employees' Retirement Plan.

CITY OF KEY WEST, FLORIDA
COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUNDS
September 30, 2014

	Pension Trust Funds		
	General Employees	Police and Fire	Total
ASSETS:			
Cash and cash equivalents	\$ 2,120,499	\$ 3,568,855	\$ 5,689,354
Investments, at fair value:			
Equity securities	26,963,477	50,701,374	77,664,851
Corporate and foreign bonds, and bond funds	11,603,489	12,265,316	23,868,805
Alternative investments	4,896,296	5,300,206	10,196,502
U.S. government securities	1,491,171	2,508,474	3,999,645
Municipal obligations	587,462	1,001,322	1,588,784
Real estate	-	4,260,000	4,260,000
Collateralized mortgage obligations	166,887	-	166,887
Receivables:			
Interest and dividends	99,904	192,307	292,211
State contributions	-	727,859	727,859
Employee contributions	-	27,185	27,185
Proceeds from securities sold	-	188,506	188,506
Total assets	47,929,185	80,741,404	128,670,589
LIABILITIES:			
Accounts payable and accrued expenses	45,396	79,196	124,592
Payable for securities purchased	-	271,958	271,958
Prepaid city contributions	-	123,203	123,203
Total liabilities	45,396	474,357	519,753
NET POSITION:			
Held in trust for employees' pension benefits	\$ <u>47,883,789</u>	\$ <u>80,267,047</u>	\$ <u>128,150,836</u>

CITY OF KEY WEST, FLORIDA
COMBINING STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Year Ended September 30, 2014

	Pension Trust Funds		
	General Employees	Police and Fire	Total
ADDITIONS:			
Contributions:			
Employer	\$ 919,864	\$ 2,975,423	\$ 3,895,287
Members	655,206	764,013	1,419,219
State police and fire	-	727,859	727,859
Total contributions	1,575,070	4,467,295	6,042,365
Investment earnings:			
Net appreciation (depreciation) in fair value of investments	3,517,745	6,408,884	9,926,629
Interest and dividends	1,164,932	2,137,720	3,302,652
Total investment earnings	4,682,677	8,546,604	13,229,281
Less: Investment expenses	251,675	430,050	681,725
Net investment earnings	4,431,002	8,116,554	12,547,556
Total additions	6,006,072	12,583,849	18,589,921
DEDUCTIONS:			
Benefits paid	2,261,393	3,984,716	6,246,109
Administrative expenses	142,131	109,548	251,679
Contributions refunded	-	80,335	80,335
Total deductions	2,403,524	4,174,599	6,578,123
Changes in net position	3,602,548	8,409,250	12,011,798
NET POSITION, October 1 (as restated)	44,281,241	71,857,797	116,139,038
NET POSITION, September 30	\$ 47,883,789	\$ 80,267,047	\$ 128,150,836

STATISTICAL SECTION

CITY OF KEY WEST, FLORIDA
STATISTICAL SECTION
For the Year Ended September 30, 2014

OVERVIEW

Statistical information is different from financial statements in that the statistics usually cover more than one fiscal year and may present non-accounting information. The following tables present financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information of the government, as necessary for complete disclosure of the City's financial activity. The information presented in these tables is not required for fair presentation in conformity with generally accepted accounting principles and is therefore not covered by the auditor's opinion.

There have been no special assessments authorized during the last ten fiscal years.

The City's charter does not provide for a General Obligation Legal Debt margin.

<u>CONTENTS</u>	<u>PAGES</u>
FINANCIAL TRENDS:	113-122
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
REVENUE CAPACITY:	123-126
These schedules contain information to help the reader assess the City's most significant local revenue source - property tax.	
DEBT CAPACITY:	127-131
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
DEMOGRAPHIC AND ECONOMIC INFORMATION:	132-134
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
OPERATING INFORMATION:	135-137
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.	

Sources of Data:

City of Key West Audited Financial Statements (and supporting records)
City of Key West Planning Department
City of Key West Building and Zoning Department
Monroe County Tax Collector
Monroe County Property Appraiser
Monroe County School Board
Florida Keys Aqueduct Authority
Keys Energy Services

CITY OF KEY WEST, FLORIDA

TABLE 1

NET POSITION BY COMPONENT FOR THE LAST TEN FISCAL YEARS ACCRUAL BASIS (in Thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Net investment in capital assets	\$ 84,281	\$ 83,047	\$ 84,399	\$ 83,450	\$ 83,653	\$ 86,385	\$ 87,054	\$ 88,024	\$ 98,927	\$ 106,158
Restricted	17,885	17,596	24,796	30,050	30,675	31,822	36,703	41,328	39,406	34,704
Unrestricted	11,651	14,948	13,791	6,155	9,654	14,570	16,623	16,414	25,586	26,713
Total governmental activities net position	\$ 113,817	\$ 115,591	\$ 122,986	\$ 119,655	\$ 123,982	\$ 132,777	\$ 140,380	\$ 145,766	\$ 163,919	\$ 167,575
Business-type activities:										
Net investment in capital assets	\$ 83,682	\$ 92,102	\$ 94,073	\$ 103,294	\$ 107,394	\$ 115,889	\$ 118,376	\$ 113,118	\$ 115,459	\$ 116,044
Restricted	2,358	2,427	3,757	3,800	3,800	3,759	3,867	4,362	589	326
Unrestricted	18,926	14,997	18,295	14,446	12,003	14,951	17,443	25,228	29,476	36,766
Total business-type activities net position	\$ 104,966	\$ 109,526	\$ 116,125	\$ 121,540	\$ 123,197	\$ 134,599	\$ 139,686	\$ 142,708	\$ 145,524	\$ 153,136
Primary government:										
Net investment in capital assets	\$ 167,963	\$ 175,149	\$ 178,472	\$ 186,744	\$ 191,047	\$ 202,274	\$ 205,430	\$ 201,142	\$ 214,386	\$ 222,202
Restricted	20,243	20,023	28,553	33,850	34,475	35,581	40,570	45,690	39,995	35,030
Unrestricted	30,577	29,945	32,086	20,601	21,657	29,521	34,066	41,642	55,062	63,479
Total primary government net position	\$ 218,783	\$ 225,117	\$ 239,111	\$ 241,195	\$ 247,179	\$ 267,376	\$ 280,066	\$ 288,474	\$ 309,443	\$ 320,711

CITY OF KEY WEST, FLORIDA

TABLE 2

CHANGES IN NET POSITION FOR THE LAST TEN YEARS ACCURAL BASIS (in Thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses:										
Governmental activities:										
General government	\$ 14,068	\$ 13,195	\$ 12,363	\$ 13,012	\$ 13,570	\$ 13,355	\$ 14,797	\$ 15,520	\$ 16,670	\$ 16,419
Public safety	20,332	23,059	22,278	22,272	21,896	20,553	21,737	22,859	22,692	24,315
Physical environment	284	220	321	588	314	304	-	-	-	-
Transportation	2,901	3,249	3,354	4,002	3,711	3,586	3,364	5,339	7,770	4,462
Economic environment	1,185	2,152	1,963	5,297	14,622	5,249	2,956	3,762	1,784	1,633
Human services	438	432	491	517	409	393	394	399	488	468
Culture and recreation	3,270	4,206	5,403	3,677	2,314	2,152	2,321	2,600	2,567	2,456
Interest	40	53	51	45	41	38	34	30	26	22
Total governmental activities expenses	42,518	46,566	46,224	49,410	56,877	45,630	45,603	50,509	51,997	49,775
Business type activities:										
Sewer System	10,885	10,030	10,121	10,704	10,833	11,574	11,151	10,710	11,404	10,550
Solid Waste	10,103	11,895	6,727	7,480	7,105	7,337	7,444	7,268	8,753	8,042
Key West Bight	5,451	6,008	6,374	6,980	5,485	4,988	5,192	4,588	4,329	4,158
Stormwater	1,003	3,031	1,757	2,871	3,053	2,239	2,666	2,535	2,755	2,223
Garrison Bight	1,196	1,225	1,063	1,207	1,426	1,434	1,351	1,245	1,359	1,351
Transit	3,087	3,917	3,818	4,026	3,581	3,076	2,806	2,563	2,732	2,935
Total business-type activities expenses	31,725	36,106	29,860	33,268	31,483	30,648	30,610	28,909	31,332	29,259
Total primary government expenses	\$ 74,243	\$ 82,672	\$ 76,084	\$ 82,678	\$ 88,360	\$ 76,278	\$ 76,213	\$ 79,418	\$ 83,329	\$ 79,034

CITY OF KEY WEST, FLORIDA

TABLE 2
CHANGES IN NET POSITION
(continued)
FOR THE LAST TEN YEARS
ACCURAL BASIS
(in Thousands)

		Fiscal Year									
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Program Revenues:											
Governmental activities:											
Fees, fines and charges for services:											
General government	\$	1,520	\$ 1,594	\$ 1,551	\$ 1,686	\$ 2,257	\$ 2,417	\$ 2,647	\$ 2,717	\$ 2,721	\$ 3,161
Public safety		4,127	4,077	4,504	2,351	2,280	2,667	2,131	2,150	2,733	3,296
Physical environment		88	120	46	71	54	77	-	-	-	-
Transportation		8,000	7,352	7,568	7,002	6,840	6,947	7,557	7,021	6,976	7,267
Economic environment		-	-	-	-	-	44	26	26	33	26
Human Services		-	-	-	11	-	-	-	-	-	-
Culture and recreation		133	114	136	15	182	164	202	205	344	462
Operating grants and contributions		866	3,969	3,561	2,583	4,295	5,414	3,829	3,971	2,041	2,261
Capital grants and contributions		1,405	1,185	647	4,275	12,334	2,912	3,272	3,596	2,680	537
Total governmental activities program revenues		16,139	18,411	18,013	17,994	28,242	20,642	19,664	19,686	17,528	17,010
Business type activities:											
Charges for services:											
Sanitary Sewer System		10,499	12,063	11,271	11,789	11,648	11,827	12,717	11,640	12,164	11,979
Solid Waste		8,293	8,591	8,837	9,343	9,283	8,997	9,122	9,187	9,503	9,398
Key West Bight		5,932	6,531	7,460	8,100	6,500	6,460	6,825	6,974	7,047	7,465
Stormwater		1,516	1,742	1,748	2,336	2,393	2,322	2,342	2,468	2,613	2,131
Garrison Bight		1,318	1,397	1,504	1,509	1,459	1,372	1,400	1,453	1,507	1,604
Transit		737	932	1,023	1,067	1,067	970	982	1,070	1,039	1,126
Operating grants and contributions		2,117	6,926	1,588	1,033	420	2,026	1,487	1,274	1,124	2,239
Capital grants and contributions		1,692	2,067	2,081	4,276	1,429	9,209	2,633	1,436	2,518	3,213
Total business type activities program revenues		32,104	40,248	35,512	39,453	34,199	43,183	37,508	35,502	37,515	39,155
Total primary government program revenues	\$	48,243	\$ 58,659	\$ 53,525	\$ 57,447	\$ 62,441	\$ 63,825	\$ 57,172	\$ 55,188	\$ 55,043	\$ 56,165

CITY OF KEY WEST, FLORIDA

TABLE 2 CHANGES IN NET POSITION (continued) FOR THE LAST TEN YEARS ACCURAL BASIS (in Thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (expense)/revenue										
Governmental activities	\$ (26,379)	\$ (28,155)	\$ (28,211)	\$ (31,416)	\$ (28,635)	\$ (24,988)	\$ (25,939)	\$ (30,823)	\$ (34,469)	\$ (32,765)
Business type activities	379	4,142	5,652	6,185	2,716	12,535	6,898	6,593	6,183	9,896
Total primary government net expense	\$ (26,000)	\$ (24,013)	\$ (22,559)	\$ (25,231)	\$ (25,919)	\$ (12,453)	\$ (19,041)	\$ (24,230)	\$ (28,286)	\$ (22,869)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 12,476	\$ 12,469	\$ 15,774	\$ 15,136	\$ 15,572	\$ 15,644	\$ 14,816	\$ 14,429	\$ 15,127	\$ 15,059
Sales taxes	9,048	9,352	9,263	9,001	8,052	7,994	8,663	10,360	10,945	11,824
Franchise and local business taxes	1,655	2,030	2,029	1,272	1,268	1,316	1,394	1,463	1,404	1,448
Communication taxes	-	-	-	1,882	1,633	1,725	1,613	1,610	1,599	1,474
Cigarette and motor fuel taxes	2,548	2,500	2,266	2,225	2,099	2,360	2,391	2,541	2,462	2,695
Investment earnings	700	1,436	2,194	1,944	1,745	750	530	437	197	316
Miscellaneous	3,259	994	567	1,393	717	1,464	1,293	1,643	8,476	785
Donated capital asset	-	-	-	-	-	-	-	-	8,470	-
Extraordinary item	-	-	(1,250)	(6,750)	-	-	-	-	-	-
Transfers	(1,405)	1,146	2,002	1,982	1,876	2,530	2,842	3,726	3,942	2,820
Total governmental activities	28,281	29,927	32,845	28,085	32,962	33,783	33,542	36,209	52,622	36,421
Business type activities:										
Investment earnings	711	1,347	1,397	1,008	643	260	312	241	165	214
Transfers	1,405	(1,146)	(2,002)	(1,982)	(1,876)	(2,530)	(2,842)	(3,726)	(3,942)	(2,820)
Miscellaneous	408	217	561	204	174	1,137	719	254	410	322
Total business-type activities	2,524	418	(44)	(770)	(1,059)	(1,133)	(1,811)	(3,231)	(3,367)	(2,284)
Total primary government	\$ 30,805	\$ 30,345	\$ 32,801	\$ 27,315	\$ 31,903	\$ 32,650	\$ 31,731	\$ 32,978	\$ 49,255	\$ 34,137

CITY OF KEY WEST, FLORIDA

TABLE 2

CHANGES IN NET POSITION (continued) FOR THE LAST TEN YEARS ACCRUAL BASIS (in Thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Change in net position:										
Governmental activities	\$ 1,902	\$ 1,772	\$ 4,634	\$ (3,331)	\$ 4,327	\$ 8,795	\$ 7,603	\$ 5,386	\$ 18,153	\$ 3,656
Business type activities	2,903	4,560	5,608	5,415	1,657	11,402	5,087	3,362	2,816	7,612
Total primary government	\$ 4,805	\$ 6,332	\$ 10,242	\$ 2,084	\$ 5,984	\$ 20,197	\$ 12,690	\$ 8,748	\$ 20,969	\$ 11,268

CITY OF KEY WEST, FLORIDA
TABLE 3
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
FOR THE LAST TEN FISCAL YEARS
ACCRUAL BASIS
(in Thousands)

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Sales Taxes</u>	<u>Franchise and Local Business Taxes</u>	<u>Cigarette and Motor Fuel Taxes</u>	<u>Communication Taxes</u>	<u>Total</u>
2005	\$ 12,476	\$ 9,048	\$ 1,655	\$ 2,548	\$ -	\$ 25,727
2006	\$ 12,469	\$ 9,352	\$ 2,030	\$ 2,500	\$ -	\$ 26,351
2007	\$ 15,774	\$ 9,263	\$ 2,029	\$ 2,266	\$ -	\$ 29,332
2008	\$ 15,136	\$ 9,001	\$ 1,272	\$ 2,225	\$ 1,882	\$ 29,516
2009	\$ 15,572	\$ 8,052	\$ 1,268	\$ 2,099	\$ 1,633	\$ 28,624
2010	\$ 15,644	\$ 7,994	\$ 1,316	\$ 2,360	\$ 1,725	\$ 29,039
2011	\$ 14,816	\$ 8,663	\$ 1,394	\$ 2,391	\$ 1,613	\$ 28,877
2012	\$ 14,429	\$ 10,360	\$ 1,463	\$ 2,541	\$ 1,610	\$ 30,403
2013	\$ 15,127	\$ 10,945	\$ 1,404	\$ 2,462	\$ 1,599	\$ 31,537
2014	\$ 15,059	\$ 11,824	\$ 1,448	\$ 2,695	\$ 1,474	\$ 32,500

CITY OF KEY WEST, FLORIDA

TABLE 4

FUND BALANCES OF GOVERNMENTAL FUNDS FOR THE LAST TEN FISCAL YEARS MODIFIED ACCRUAL BASIS (in Thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund:										
Reserved	\$ 2,696	\$ 2,637	\$ 2,647	\$ 2,379	\$ 2,516	\$ 2,458	\$ -	\$ -	\$ -	\$ -
Unreserved	9,618	10,908	11,819	12,362	6,177	8,801	-	-	-	-
Nonspendable	-	-	-	-	-	-	2,191	2,075	1,950	1,828
Restricted	-	-	-	-	-	-	-	-	-	3
Committed	-	-	-	-	-	-	110	148	269	360
Assigned	-	-	-	-	-	-	155	123	1,051	1,883
Unassigned	-	-	-	-	-	-	9,260	10,202	11,296	12,466
Total general fund	\$ 12,314	\$ 13,545	\$ 14,466	\$ 14,741	\$ 8,693	\$ 11,259	\$ 11,716	\$ 12,548	\$ 14,568	\$ 16,540
All other governmental funds:										
Reserved	\$ 960	\$ 1,314	\$ 1,442	\$ 1,136	\$ 4,604	\$ 2,762	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	12,353	13,656	19,527	20,329	14,916	14,669	-	-	-	-
Capital projects funds	4,572	5,808	5,809	8,585	11,156	14,391	-	-	-	-
Nonspendable	-	-	-	-	-	-	180	162	280	191
Restricted	-	-	-	-	-	-	36,524	41,166	39,124	34,509
Committed	-	-	-	-	-	-	-	-	7,500	7,500
Unassigned	-	-	-	-	-	-	-	(431)	(778)	-
Total all other governmental funds	\$ 17,885	\$ 20,778	\$ 26,778	\$ 30,050	\$ 30,676	\$ 31,822	\$ 36,704	\$ 40,897	\$ 46,126	\$ 42,200

Note: Information for fiscal years 2005-2010 have not been restated for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54 classification.

CITY OF KEY WEST, FLORIDA
TABLE 5
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FOR THE LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS
(in Thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REVENUES:										
Taxes	\$ 21,305	\$ 21,768	\$ 24,989	\$ 24,194	\$ 24,271	\$ 24,393	\$ 23,940	\$ 24,794	\$ 25,715	\$ 26,303
Licenses and permits	2,667	2,735	3,224	2,451	2,174	2,613	2,456	2,666	3,186	4,002
Intergovernmental	6,754	10,056	9,092	11,130	20,190	13,448	12,730	14,218	10,221	10,635
Payment in lieu of taxes	2,603	-	-	-	-	-	-	-	-	-
Charges for services	8,226	7,584	7,827	7,245	7,067	7,411	7,954	7,414	7,458	7,962
Fines and forfeitures	1,245	1,134	1,049	1,153	1,252	1,169	878	717	769	679
Investment earnings	701	1,436	2,194	1,944	1,745	751	530	437	197	317
Rental income	1,359	1,437	1,441	1,384	1,784	1,642	1,842	1,948	1,952	2,164
Contributions and other	379	650	863	575	269	304	355	426	396	227
Total revenues	45,239	46,800	50,679	50,076	58,752	51,731	50,685	52,620	49,894	52,289
EXPENDITURES:										
General government (1)	14,162	12,774	13,229	13,375	21,921	14,006	15,138	15,285	15,337	15,931
Public safety	17,895	20,014	19,113	19,089	19,198	18,873	19,982	20,560	21,022	21,739
Physical environment	212	137	236	486	238	243	-	-	-	-
Transportation	2,326	2,897	2,865	3,594	3,253	3,154	2,867	4,903	7,246	3,910
Economic environment	1,108	2,229	1,963	5,278	14,622	5,249	2,956	3,762	1,783	1,633
Culture and recreation	2,765	3,653	4,687	2,949	1,886	1,817	1,954	2,107	1,951	1,967
Human services	438	423	497	513	407	393	394	399	488	468
Capital outlay	3,835	2,996	2,858	3,030	4,037	6,637	4,717	4,442	6,437	11,597
Debt service:										
Principal	147	147	206	147	147	147	147	147	147	147
Interest	40	53	51	49	41	38	34	30	26	22
Total expenditures	42,928	45,323	45,705	48,510	65,750	50,557	48,189	51,635	54,437	57,414
Excess (deficiency) of revenues over expenditures	2,311	1,477	4,974	1,566	(6,998)	1,174	2,496	985	(4,543)	(5,125)
OTHER FINANCING SOURCES (USES):										
Transfers in	5,732	6,272	6,032	8,498	11,674	9,176	10,153	6,182	16,480	8,870
Transfers out	(7,137)	(5,126)	(4,030)	(6,517)	(10,098)	(6,638)	(7,310)	(2,142)	(12,229)	(5,719)
Sale of general capital assets	-	-	-	-	-	-	-	-	7,541	20
Total other financing sources (uses)	(1,405)	1,146	2,002	1,981	1,576	2,538	2,843	4,040	11,792	3,171
Net change in fund balances	\$ 906	\$ 2,623	\$ 6,976	\$ 3,547	\$ (5,422)	\$ 3,712	\$ 5,339	\$ 5,025	\$ 7,249	\$ (1,954)
Ratio of total debt service expenditures to total noncapital expenditures	0.48%	0.47%	0.60%	0.43%	0.30%	0.42%	0.42%	0.38%	0.36%	0.37%

(1) Includes judgments in the amount of (\$ 8,000,000) for 2009.

CITY OF KEY WEST, FLORIDA
TABLE 6
GENERAL GOVERNMENTAL EXPENDITURES (1)
For the Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Physical Environment (2)	Transportation	Economic Environment	Culture and Recreation	Other	Total
2005	\$ 13,006,947	\$ 17,780,422	\$ 206,122	\$ 1,132,120	\$ 103,300	\$ 2,406,903	\$ 1,149,686	\$ 35,785,500
2006	\$ 11,935,946	\$ 19,892,420	\$ 137,216	\$ 1,162,165	\$ 101,500	\$ 2,439,103	\$ 422,624	\$ 36,090,974
2007	\$ 12,858,911	\$ 19,024,792	\$ 155,387	\$ 1,214,718	\$ 80,500	\$ 3,680,251	\$ 498,399	\$ 37,512,958
2008	\$ 13,280,079	\$ 18,967,798	\$ 486,062	\$ 1,505,712	\$ 75,875	\$ 2,119,775	\$ 733,186	\$ 37,168,487
2009	\$ 20,967,021	\$ 18,946,855	\$ 238,268	\$ 1,214,366	\$ 2,546,639	\$ 1,781,975	\$ 684,512	\$ 46,379,636
2010	\$ 13,743,035	\$ 18,815,278	\$ 242,641	\$ 1,216,867	\$ 154,682	\$ 1,816,544	\$ 763,732	\$ 36,752,779
2011	\$ 15,035,634	\$ 19,918,755	-	\$ 1,196,146	\$ 70,778	\$ 1,953,546	\$ 608,910	\$ 38,783,769
2012	\$ 14,805,682	\$ 20,536,741	-	\$ 954,495	\$ 136,300	\$ 2,107,099	\$ 718,504	\$ 39,258,821
2013	\$ 14,716,056	\$ 20,966,990	-	\$ 757,323	\$ 80,197	\$ 1,951,187	\$ 1,012,947	\$ 39,484,700
2014	\$ 15,365,596	\$ 21,650,994	-	\$ 913,521	\$ 49,314	\$ 1,961,513	\$ 923,942	\$ 40,864,880

(1) Expenditures include General Fund only.

(2) Effective FYE 2011, physical environment is combined with general government.

CITY OF KEY WEST, FLORIDA
TABLE 7
GENERAL GOVERNMENTAL REVENUES (1)
For the Last Ten Fiscal Years

Fiscal Year	Taxes	Licenses and Permits	Inter- governmental	Charges for Services	Fines and Forfeitures	Investment Earnings and Other	Total
2005	\$ 13,551,986	\$ 2,667,164	\$ 5,534,231	\$ 6,908,916	\$ 1,221,735	\$ 1,864,706	\$ 31,748,738
2006	\$ 13,778,074	\$ 2,734,730	\$ 8,160,794	\$ 6,504,436	\$ 1,092,883	\$ 2,600,679	\$ 34,871,596
2007	\$ 16,999,393	\$ 3,223,910	\$ 6,801,001	\$ 6,794,871	\$ 916,443	\$ 2,839,013	\$ 37,574,631
2008	\$ 16,397,107	\$ 2,451,347	\$ 5,756,244	\$ 6,141,451	\$ 1,030,830	\$ 2,694,967	\$ 34,471,946
2009	\$ 17,106,605	\$ 2,174,363	\$ 8,573,429	\$ 6,195,123	\$ 1,013,421	\$ 2,498,370	\$ 37,561,311
2010	\$ 17,047,554	\$ 2,613,092	\$ 6,706,639	\$ 6,357,337	\$ 1,037,696	\$ 2,067,223	\$ 35,829,541
2011	\$ 16,196,884	\$ 2,455,786	\$ 6,670,741	\$ 6,919,115	\$ 777,369	\$ 2,070,218	\$ 35,090,113
2012	\$ 15,858,710	\$ 2,666,151	\$ 7,164,507	\$ 6,619,211	\$ 672,932	\$ 2,141,274	\$ 35,122,785
2013	\$ 16,593,485	\$ 3,186,346	\$ 6,932,953	\$ 6,881,080	\$ 707,745	\$ 2,121,688	\$ 36,423,297
2014	\$ 16,399,038	\$ 4,001,655	\$ 7,150,588	\$ 7,354,163	\$ 629,454	\$ 2,383,531	\$ 37,918,429

(1) Revenues include General Fund only.

CITY OF KEY WEST, FLORIDA
TABLE 8
PROPERTY TAX LEVIES AND COLLECTIONS
For the Last Ten Fiscal Years

Fiscal Year	Collections Tax Levy	Collections Current Tax	Percent of Levy	Collections Delinquent Tax	Collections Total Tax	Percent of Levy
2005	\$ 12,248,266	\$ 11,901,020	97.2	\$ -	\$ 11,901,020	97.2
2006	\$ 12,146,013	\$ 11,752,575	96.8	\$ -	\$ 11,752,575	96.8
2007	\$ 15,448,634	\$ 14,970,043	96.9	\$ -	\$ 14,970,043	96.9
2008	\$ 14,927,005	\$ 14,299,402	95.8	\$ 46,791	\$ 14,346,193	96.1
2009	\$ 15,273,933	\$ 14,680,697	96.1	\$ 21,279	\$ 14,701,976	96.3
2010	\$ 15,222,849	\$ 14,789,792	97.2	\$ 42,251	\$ 14,832,043	97.4
2011	\$ 14,414,157	\$ 13,995,804	97.1	\$ 60,960	\$ 14,056,764	97.5
2012	\$ 14,224,210	\$ 13,643,432	95.9	\$ 75,797	\$ 13,719,229	96.4
2013	\$ 14,859,861	\$ 13,847,692	93.2	\$ 615,050	\$ 14,462,742	97.3
2014	\$ 14,798,746	\$ 14,316,000	96.7	\$ 45,076	\$ 14,361,076	97.0

Note: Fiscal year information presented above is for the previous calendar year for the tax levy.
Source: Monroe County Tax Collector and Finance Department.

CITY OF KEY WEST, FLORIDA
TABLE 9
ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY
For the Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Exemptions Allowed for Real/Personal Property	Total Net Assessed Value	Total Direct Tax Rate	Total Net Estimated True Value	Ratio Net Assessed to True Value
2005	\$ 6,752,625	\$ 318,063	\$ 2,730,286	\$ 4,340,402	2.6003	\$ 4,340,402	1.0
2006	\$ 9,273,128	\$ 322,287	\$ 4,236,380	\$ 5,359,035	2.0863	\$ 5,359,035	1.0
2007	\$ 10,718,386	\$ 360,504	\$ 4,227,713	\$ 6,851,177	2.3034	\$ 6,851,177	1.0
2008	\$ 12,301,233	\$ 369,917	\$ 4,208,873	\$ 8,462,277	2.0354	\$ 8,462,277	1.0
2009	\$ 11,507,171	\$ 375,730	\$ 5,182,044	\$ 6,700,857	2.2794	\$ 6,700,857	1.0
2010	\$ 10,347,911	\$ 371,594	\$ 4,894,185	\$ 5,825,320	2.6414	\$ 5,825,320	1.0
2011	\$ 8,706,431	\$ 368,616	\$ 4,101,589	\$ 4,973,458	2.9132	\$ 4,973,458	1.0
2012	\$ 8,826,945	\$ 360,634	\$ 4,218,770	\$ 4,968,809	2.8627	\$ 4,968,809	1.0
2013	\$ 8,231,175	\$ 323,906	\$ 3,463,472	\$ 5,091,609	2.9185	\$ 5,091,609	1.0
2014	\$ 8,482,416	\$ 323,457	\$ 3,516,073	\$ 5,289,801	2.7976	\$ 5,289,801	1.0

Note: Fiscal year information presented above is for the previous calendar year for the tax levy.
Source: Property Appraiser, Monroe County, Florida.

CITY OF KEY WEST, FLORIDA
TABLE 10
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
For the Last Ten Fiscal Years

Fiscal Year	City of Key West			Overlapping Rates (1)					
	Operating Millage	Debt Service Millage	Total Direct Rate	South Florida		Florida Keys		Other	Total
				Water Management District	Mosquito Control District				
2005	2.6003	-	2.6003	3.9320	0.6090	0.4130			11.0119
2006	2.0863	-	2.0863	3.3820	0.6090	0.4130			9.5744
2007	2.3034	-	2.3034	3.0610	0.5505	0.4130			9.1728
2008	2.0354	-	2.0354	2.9460	0.4175	0.3691			8.2885
2009	2.2794	-	2.2794	2.9220	0.3798	0.3691			8.8935
2010	2.6414	-	2.6414	3.3870	0.4262	0.3691			10.1623
2011	2.9132	-	2.9132	3.8235	0.4596	0.3691			11.1648
2012	2.8627	-	2.8627	3.5650	0.4836	0.2578			10.6946
2013	2.9185	-	2.9185	3.6600	0.5171	0.2532			10.6474
2014	2.7976	-	2.7976	3.6810	0.5069	0.2425			10.5345

Note: Fiscal year information presented above is for the previous calendar year for the tax levy.

Note (1): Overlapping rates are those of local and county governments that apply to property owners within the City of Key West, Florida.

Also Note: Tax rates shown above are per \$1,000 of assessed valuation.

Source: Monroe County Tax Collector.

CITY OF KEY WEST, FLORIDA

TABLE 11

PRINCIPAL TAXPAYERS CURRENT YEAR AND TEN YEARS AGO

Name of Taxpayer	2014 Assessed Value	Rank	Percent of Total Assessed Valuation	2005 Assessed Value	Rank	Percent of Total Assessed Valuation
Southeast Housing, LLC	\$ 140,324,382	1	2.65	\$ -	-	-
Sunset City, LLC	69,204,395	2	1.31	-	-	-
Casa Marina Owner, LLC	65,621,679	3	1.24	45,887,445	1	1.06
Galleon Condominium Association Inc.	64,894,805	4	1.23	-	-	-
Windward Pointe II, LLC	56,504,227	5	1.07	45,004,450	2	1.04
City of Key West	49,688,504	6	0.94	-	-	-
Tannex Development, LC	49,405,900	7	0.93	32,915,760	3	0.76
Ashford Pier House, LLC	45,913,805	8	0.87	-	-	-
SH5, LTD	43,702,145	9	0.83	-	-	-
Hyatt Vacation Management Co.	41,314,994	10	0.78	-	-	-
Galleon Condominium Association Inc.	-	-	-	29,106,700	4	0.67
Pier House	-	-	-	28,085,697	5	0.65
Bellsouth (Southern Bell)	-	-	-	27,915,437	6	0.64
Spotswood Partners II LTD	-	-	-	25,234,811	7	0.58
Lower FI Keys Hospital Dist	-	-	-	22,077,947	8	0.51
Key West Suites LTD PTNSHIP	-	-	-	22,000,000	9	0.51
Spotswood John M JR	-	-	-	20,568,827	10	0.47
Totals	\$ 626,574,836		11.85	\$ 298,797,074		6.89

Source: Property Appraiser, Monroe County, Florida.

CITY OF KEY WEST, FLORIDA

TABLE 12
RATIOS OF OUTSTANDING DEBT BY TYPE
For the Last Ten Fiscal Years

Fiscal Year	Note Payable		Revenue Bonds (1)		Note Payable		Total Outstanding Debt	Percentage of Personal Income (2)	Population (2)	Debt per Capita
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities				
2005	\$ 2,058,823	\$ 39,000,687	\$ 2,058,823	\$ 39,000,687	\$ 4,643,338	\$ 4,643,338	\$ 45,702,848	N/A	25,811	\$ 1,771
2006	\$ 1,911,314	\$ 37,697,927	\$ 1,911,314	\$ 37,697,927	\$ 4,427,054	\$ 4,427,054	\$ 44,036,295	7.08%	23,935	\$ 1,840
2007	\$ 1,764,706	\$ 36,393,853	\$ 1,764,706	\$ 36,393,853	\$ 4,203,640	\$ 4,203,640	\$ 42,362,199	7.00%	23,262	\$ 1,821
2008	\$ 1,613,815	\$ 35,091,912	\$ 1,613,815	\$ 35,091,912	\$ 3,972,861	\$ 3,972,861	\$ 40,678,588	5.52%	23,024	\$ 1,767
2009	\$ 1,466,757	\$ 33,787,457	\$ 1,466,757	\$ 33,787,457	\$ 3,734,474	\$ 3,734,474	\$ 38,988,688	4.94%	23,922	\$ 1,630
2010	\$ 1,319,698	\$ 32,536,880	\$ 1,319,698	\$ 32,536,880	\$ 3,488,227	\$ 3,488,227	\$ 37,344,805	4.46%	24,649	\$ 1,515
2011	\$ 1,172,639	\$ 31,140,391	\$ 1,172,639	\$ 31,140,391	\$ 3,233,862	\$ 3,233,862	\$ 35,546,892	4.00%	24,626	\$ 1,443
2012	\$ 1,025,580	\$ 33,767,315	\$ 1,025,580	\$ 33,767,315	\$ 2,971,112	\$ 2,971,112	\$ 37,764,007	4.32%	24,909	\$ 1,516
2013	\$ 878,521	\$ 30,400,830	\$ 878,521	\$ 30,400,830	\$ 2,699,700	\$ 2,699,700	\$ 33,979,051	3.96%	25,057	\$ 1,356
2014	\$ 731,462	\$ 28,745,557	\$ 731,462	\$ 28,745,557	\$ 2,419,340	\$ 2,419,340	\$ 31,896,359	3.94%	25,550	\$ 1,248

(1) Presented net of original issuance discounts and premiums.

(2) Personal income and population is disclosed on table 17.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF KEY WEST, FLORIDA

TABLE 13

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED
VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
For the Last Ten Fiscal Years**

Fiscal Year	Population (1) (a)	Net Assessed Value (2) (000's) (b)	Gross General Obligation Bonded Debt (3) (c)	Debt Service Monies Available (d)	Net General Obligation Bonded Debt (c)-(d)	Ratio of Net General Obligation Bonded Debt to Assessed Value (c-d)/(b)	Net General Obligation Bonded Debt Per Capita (c-d)/(a)
2005	25,811	\$ 4,340,402	-	-	-	-	-
2006	23,935	\$ 5,359,035	-	-	-	-	-
2007	23,262	\$ 6,851,177	-	-	-	-	-
2008	23,024	\$ 8,462,277	-	-	-	-	-
2009	23,922	\$ 6,700,857	-	-	-	-	-
2010	24,649	\$ 5,825,320	-	-	-	-	-
2011	24,626	\$ 4,973,458	-	-	-	-	-
2012	24,909	\$ 4,968,809	-	-	-	-	-
2013	25,057	\$ 5,091,609	-	-	-	-	-
2014	25,550	\$ 5,289,801	-	-	-	-	-

(1) Source: Key West Chamber of Commerce and Bureau of Labor Statistics, University of Florida.

(2) Figures are from Table 9 of this Statistical Section.

(3) Gross bonded debt amount here excludes revenue bonds.

CITY OF KEY WEST, FLORIDA

TABLE 14

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL OBLIGATION BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES (1)
For the Last Ten Fiscal Years**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2005	-	-	-	\$ 35,785,500	-
2006	-	-	-	\$ 36,090,974	-
2007	-	-	-	\$ 37,512,958	-
2008	-	-	-	\$ 37,168,487	-
2009	-	-	-	\$ 46,379,636	-
2010	-	-	-	\$ 36,752,779	-
2011	-	-	-	\$ 38,783,769	-
2012	-	-	-	\$ 39,258,821	-
2013	-	-	-	\$ 39,484,700	-
2014	-	-	-	\$ 40,864,880	-

(1) Gross bonded debt service here excludes debt service on revenue bonds.

(2) General expenditures include General Fund only.

CITY OF KEY WEST, FLORIDA
TABLE 15
COMPUTATION OF DIRECT AND ESTIMATED OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
September 30, 2014

	<u>Debt Outstanding</u>	<u>Applicable to City of Key West</u>	
		<u>Percentage</u>	<u>Amount</u>
Direct debt:			
City of Key West (1)	\$ 731,462	100.00%	\$ 731,462
Estimated overlapping debt:			
Monroe County, District School Board (2)	<u>45,452,000</u>	27.60% (3)	<u>12,545,184</u>
Total ad valorem tax supported debt	<u>\$ 46,183,462</u>		<u>\$ 13,276,646</u>
Ratios:			
Overall debt to 2014 taxable valuation			0.25%
Overall debt per capita			\$ <u>520</u>

(1) City of Key West direct debt does not include revenue bonds.

(2) Monroe County School Board debt is as of June 30, 2014, and does not include revenue bonds.

(3) Overlapping debt percentage was determined by a ratio of the assessed value of property subject to taxation in the City of Key West to the total assessed value of property subject to taxation in the overlapping unit.

CITY OF KEY WEST, FLORIDA
TABLE 16
REVENUE BOND COVERAGE
SANITARY SEWER SYSTEM FUND
For the Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Gross Revenues (1)	Cost of Operation and Maintenance (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			
				Principal	Interest	Total	Coverage
2005	\$ 10,499	\$ 6,275	\$ 4,224	\$ 895	\$ 1,115	\$ 2,010	2.10
2006	\$ 12,062	\$ 5,409	\$ 6,653	\$ 915	\$ 1,110	\$ 2,025	3.29
2007	\$ 11,659	\$ 5,516	\$ 6,143	\$ 935	\$ 1,079	\$ 2,014	3.05
2008	\$ 11,886	\$ 5,720	\$ 6,166	\$ 950	\$ 1,060	\$ 2,010	3.07
2009	\$ 11,755	\$ 5,722	\$ 6,033	\$ 975	\$ 1,039	\$ 2,014	3.00
2010	\$ 11,839	\$ 6,037	\$ 5,802	\$ 1,000	\$ 1,013	\$ 2,013	2.88
2011	\$ 12,793	\$ 5,833	\$ 6,960	\$ 1,030	\$ 985	\$ 2,015	3.45
2012	\$ 11,684	\$ 5,403	\$ 6,281	\$ 1,060	\$ 1,037	\$ 2,097	3.00
2013	\$ 12,032	\$ 5,648	\$ 6,384	\$ 680	\$ 398	\$ 1,078	5.92
2014	\$ 12,056	\$ 5,763	\$ 6,293	\$ 1,713	\$ 576	\$ 2,289	2.75

- (1) Gross revenues exclude impact fees, connection fees and federal and state grants.
(2) Total operating expenses exclude payments in lieu of taxes, depreciation and amortization, principal, interest expense, and gain (loss) on the disposal of capital assets.
(3) Debt service shown above includes principal and interest of bonds only due next year (Series 2012 and 2013).

CITY OF KEY WEST, FLORIDA

TABLE 17
DEMOGRAPHIC STATISTICS
For the Last Ten Fiscal Years

Fiscal Year	Population (1)	Per Capita Income (1)	Total Personal Income (in thousands) (1)	Median Age (1)	Public School Enrollment (2)	Unemployment Rate (3)
2005	25,811	\$ N/A	\$ N/A	N/A	N/A	N/A
2006	23,935	\$ 26,316	\$ 622,310	39	4,056	2.6%
2007	23,262	\$ 26,316	\$ 604,812	39	4,038	2.8%
2008	23,024	\$ 32,662	\$ 736,768	43	3,868	4.3%
2009	23,922	\$ 33,549	\$ 789,426	43	3,791	6.8%
2010	24,649	\$ 34,174	\$ 838,066	44	3,792	7.2%
2011	24,626	\$ 36,086	\$ 888,654	42	3,823	6.2%
2012	24,909	\$ 35,074	\$ 873,658	42	4,023	4.5%
2013	25,057	\$ 34,277	\$ 858,879	42	4,148	3.7%
2014	25,550	\$ 31,700	\$ 809,935	43	3,954	3.9%

(1) Sources: Key West Chamber of Commerce and Bureau of Labor Statistics, University of Florida.

(2) Source: Monroe County School Board.

(3) Source: U.S. Department of Labor and Employment Security, Bureau of Labor.

N/A: Not available.

CITY OF KEY WEST, FLORIDA

TABLE 18
PRINCIPAL EMPLOYERS*

Employer	2014 Employees	2007 Employees
Public Sector:		
US Armed Forces	2,664	1,269
Monroe County Schools	993	1,362
Monroe County Sheriff's Office	595	539
Monroe County Government	522	810
City of Key West	467	516
Florida Keys Aqueduct Authority	258	273
Keys Energy Service	130	163
Florida Keys Electric Cooperative Association	117	N/A
Monroe County Clerk of Court	98	N/A
Florida Keys Community College	83	225
Private Sector:		
Ocean Reef Club (500 to 600 year round)	816	1,000
Community Health Care Center		
Lower Keys Medical Center, Key West	450	N/A
Health Management Associations	N/A	700
Publix	435	392
Hawk's Cay Resort	375	N/A
Casa Marina Resort / Reach Resort	340	300
Historic Tours of America	331	350
Westin Resort & Marina / Sunset Key	310	N/A
Spottswood Properties	276	N/A
Cheeca Lodge	261	300
Southernmost House / SM on the Beach / La Mer / Dewey House		
Excludes SM beach Café	232	N/A
First State Bank of the Keys	178	208

* Employer information including percent of total employment was not available, this data is for Monroe County as no information for the City of Key West was available.

Note: Data prior to 2007 is not available.

CITY OF KEY WEST, FLORIDA
TABLE 19
PROPERTY VALUE AND CONSTRUCTION
For the Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Property Value (1)			Construction (2)	
	Real/ Personal Property Assessed Value	Exemptions Allowed for Real/ Personal Property	Total Net Assessed Value	Number of Permits	Value
2005	\$ 7,070,688	\$ 2,730,286	\$ 4,340,402	5,306	\$ 96,236
2006	\$ 9,595,415	\$ 4,236,380	\$ 5,359,035	7,003	\$ 149,062
2007	\$ 11,078,890	\$ 4,227,713	\$ 6,851,177	7,529	\$ 168,984
2008	\$ 12,671,150	\$ 4,208,873	\$ 8,462,277	4,971	\$ 23,721
2009	\$ 11,882,901	\$ 5,182,044	\$ 6,700,857	4,215	\$ 16,389
2010	\$ 10,719,505	\$ 4,894,185	\$ 5,825,320	4,297	\$ 43,322
2011	\$ 9,075,047	\$ 4,101,589	\$ 4,973,458	4,504	\$ 35,013
2012	\$ 9,187,579	\$ 4,218,770	\$ 4,968,809	5,124	\$ 50,543
2013	\$ 8,555,081	\$ 3,463,472	\$ 5,091,609	5,467	\$ 71,443
2014	\$ 8,805,874	\$ 3,516,073	\$ 5,289,801	6,187	\$ 213,520

(1) Figures here are derived from Table 9 of this Statistical Section.

(2) Source: City of Key West Building and Zoning Department.

CITY OF KEY WEST, FLORIDA
TABLE 20
OPERATING INDICATORS BY FUNCTION/PROGRAM
For the Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government:										
Building permits issued	5,306	7,003	7,529	4,971	4,215	4,297	4,504	5,124	5,467	6,187
Building inspections performed	10,169	10,622	12,547	11,275	7,392	8,128	9,606	10,264	9,057	11,812
Occupational licenses	8,824	9,031	8,673	8,990	9,072	8,296	9,778	11,189	8,509	10,087
Fire:										
Emergency responses	2,417	1,925	1,935	2,160	1,206	2,613	2,269	2,274	1,846	1,945
Inspections	514	986	1,844	1,440	779	2,481	2,430	2,452	2,293	2,310
Police:										
Physical arrests	1,979	1,801	1,101	2,031	2,166	2,075	2,115	2,265	2,010	2,171
Parking violations	49,260	47,036	48,820	48,312	46,893	37,047	30,830	31,172	30,504	27,897
Traffic violations	9,109	6,030	6,409	5,040	4,331	4,313	4,450	3,956	4,065	4,018
Cemetery:										
Burials	120	123	113	95	86	124	129	87	93	94
Sewer:										
Average daily flow (millions of gallons per day)	5	5	5	4	4	4	4	4	4	4
Solid Waste:										
Refuse annually tons	60,799	62,729	55,624	58,296	50,594	45,402	55,624	47,055	41,091	44,064
Recycle annual in tons	2,122	1,894	2,095	2,484	2,517	3,607	2,095	3,656	5,406	5,333
Marinas:										
Key West Bight:										
Diesel gallons pumped	380,446	270,702	429,871	354,378	349,664	315,515	311,677	230,161	128,205	128,548
Gas gallons pumped	123,372	116,432	122,633	79,114	78,872	63,058	106,071	116,461	126,381	133,580
Transient customers	1,297	1,108	1,202	1,436	986	1,011	1,284	1,520	1,454	1,365
Ferry terminal:										
Boat landings	*	435	431	508	393	479	464	349	358	364
Passenger disembarkments	88,820	81,709	96,796	85,134	148,300	144,617	154,821	146,362	148,738	166,677
Diesel gallons pumped	280,267	153,849	447,104	412,360	137,631	81,807	141,355	117,055	7,255	7,743
Garrison Bight:										
Transient customers	338	431	586	496	396	362	384	369	354	438
Mooring field monthly permits	66	38	49	49	165	76	332	96	103	133
Ramp usage	4,217	5,202	4,951	4,437	4,879	4,142	5,307	4,662	4,806	5,893
Cars parked overnight	5,475	6,238	5,787	5,050	N/A	N/A	N/A	N/A	N/A	N/A
Transportation:										
Cruiseship passengers	1,008,076	859,089	831,063	733,910	862,043	804,845	852,673	832,887	734,349	800,752
Sidewalks repaired/replaced	37,887	53,196	19,535	36,296	61,719	107,243	56,725	98,590	82,395	20,250

* Data not available.

CITY OF KEY WEST, FLORIDA
TABLE 21
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
For the Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Fire:										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Engines	6	6	6	7	7	7	7	7	7	7
Aerial	1	1	1	1	1	1	1	1	1	1
Light duty rescue	1	1	1	1	1	1	1	1	1	1
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	100	100	98	89	105	95	115	115	115	117
Parking enforcement units	7	7	7	7	7	7	7	7	7	6
Parks and Recreation:										
Acreage	69.25	69.25	69.25	69.25	69.25	69.25	69.25	69.25	69.25	69.25
Playgrounds	2	3	3	3	3	3	3	3	3	3
Baseball/softball diamonds	7	7	7	7	7	7	7	7	7	7
Soccer/football fields	4	4	4	4	4	4	4	4	4	4
Basketball courts	5	5	5	5	5	5	5	5	5	5
Pools	1	1	1	1	1	1	1	1	1	1
Sewer:										
Length of system	58	58	58	58	58	58	58	58	58	60
Plant daily capacity (millions of gallons per day)	10	10	10	10	10	10	10	10	10	10
Storm Water:										
Length of system	11	11	11	11	11	11	11	11	12	12
Key West Bight:										
Slips:										
Transient slips	85	90	92	92	92	92	92	92	92	92
Commercial slips	43	43	42	42	42	42	42	42	42	42
Other slips	21	16	15	15	15	15	15	15	15	15
Fuel capacity (gallons):										
Gasoline	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Diesel	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Leasable retail space: (square feet)	88,728	88,164	86,938	86,407	86,407	86,407	86,407	86,407	94,059	96,384
Ferry Terminal:										
Commercial slips	4	4	4	4	4	4	4	4	4	4
Diesel capacity (gallons)	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Garrison Bight:									2013	2014
Transient slips	66	66	66	66	66	66	66	66	66	42 **
Live aboard/pleasure	154	145	146	148	148	148	148	148	140	167
Commercial/charter	37	40	39	43	43	43	43	43	37	37
Mooring field	149	149	149	149	149	149	149	149	149	149
Transportation:										
Number of buses	15	15	15	17	17	17	16	16	14	14
Cruise ports	3	3	3	3	3	3	3	3	3	3
Ferry terminals	1	1	1	1	1	1	1	1	1	1

** Based on slips located in the Marina/not occupancy

CITY OF KEY WEST, FLORIDA

TABLE 22

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM For the Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
City Commission	5	5	5	5	5	5	5	5	5	5
City Management	2	2	2	3	3	4	4	6	6	7
Management services										
and other	84	81	79	82	80	78	76	79	82	82
Recreation	35	35	39	33	31	31	33	33	31	32
Fire	73	73	73	71	71	71	72	72	72	72
Public Works	36	34	36	30	34	29	34	35	46	49
Police protection	137	137	133	122	122	123	123	123	126	126
Building	23	23	26	28	17	17	18	19	19	21
Capital	14	16	14	5	1	1	1	-	-	-
Roads and Sidewalks	-	-	-	3	4	4	4	4	4	5
Sewer	9	9	9	7	4	4	4	4	4	4
Stormwater	2	3	3	2	2	2	2	1	1	1
Solid waste	11	12	12	12	10	10	10	10	10	10
Recreation marinas	25	26	39	44	42	40	35	29	30	26
Redevelopment	6	5	5	6	7	6	-	-	-	-
Transportation	32	40	41	44	44	31	31	28	28	27
Total	494	501	516	497	477	456	452	448	464	467

